

MEETING  
STATE OF CALIFORNIA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
BOARD OF ADMINISTRATION  
RISK AND AUDIT COMMITTEE  
OPEN SESSION

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FECKNER AUDITORIUM  
LINCOLN PLAZA NORTH  
400 P STREET  
SACRAMENTO, CALIFORNIA

MONDAY, JUNE 2, 2025  
10:24 A.M.

JAMES F. PETERS, CSR  
CERTIFIED SHORTHAND REPORTER  
LICENSE NUMBER 10063

APPEARANCES

COMMITTEE MEMBERS:

Malia Cohen, Chairperson

David Miller, Vice Chairperson

Fiona Ma, represented by Frank Ruffino

Jose Luis Pacheco

Kevin Palkki

Ramón Rubalcava

Mullissa Willette

STAFF:

Marcie Frost, Chief Executive Officer

Kevin Fein, Chief Compliance Officer

Robert Carlin, Senior Attorney

Justin Heeb, Assistant Division Chief, Operations Support  
Services Division

Paul Tschida, Senior Actuary

ALSO PRESENT:

Danielle Crume, Segal

Mita Drazilov, Gabriel, Roeder, Smith and Company

David Driscoll, Gallagher

Ryan Falls, Milliman

Bill Hallmark, Cheiron

Anne Harper, Cheiron

APPEARANCES CONTINUED

ALSO PRESENT:

Brett Hunter, Gallagher

Joseph Newton, Gabriel, Roeder, Smith and Company

Brad Ramirez, Segal

James Sparks, Gabriel, Roeder, Smith and Company

Todd Tauzer, Segal

Daniel Wade, Milliman

Elizabeth Wiley, Gallagher

	<u>INDEX</u>	<u>PAGE</u>
1.	Call to Order and Roll Call	1
2.	Executive Report - Kevin Fein	3
3.	Action Agenda Items	
a.	Solicitation for Third Party Valuation and Certification of Annual Actuarial Reports: Finalist Interviews and Finalist Selection - Paul Tschida	3
4.	Information Agenda Items	
a.	Summary of Committee Direction - Kevin Fein	180
b.	Public Comment	181
5.	Adjournment of Meeting	181
	Reporter's Certificate	182

PROCEEDINGS

CHAIR COHEN: Good morning. I think we're ready to get started. My apologies for starting late.

Are we ready, ladies. Okay. Good. All right. Good morning. Its 10:25. I want to welcome you to the Risk and Audit Committee of June 2nd 2025. My name is Malia Cohen. I'll be chairing this meeting. To my left is the Vice Chair David Miller.

First, I wanted to thank Mr. Fein today for the Risk and Audit Committee is interviewing the finalists for the parallel actuarial valuation and certification services Request for Proposal number 2025-9409.

Vice Chair David Miller and Committee members. Fiona Ma is represented by Frank Ruffino, Jose Luis Pacheco is present, David Palkki is present, Ramón Rubalcava is present and Mullissa Willette and I, in accordance with RFP, will determine an interview score for each finalist using the consensus scoring methodology.

And so at this time, I'd like to thank Paul Tschida -- Paul, how do you say your last name?

SENIOR ACTUARY TSCHIDA: Tschida

CHAIR COHEN: Thank you. Tschida, who is a senior actuary to provide a summary of the RFP activities to date and as well as logistics for the interview process.

1 Come on, Paul, you're up.

2 SENIOR ATTORNEY CARLIN: Madam Chair, did you  
3 want to roll call.

4 CHAIR COHEN: Is that -- yeah, of course I want  
5 to do that for the record.

6 SENIOR ATTORNEY CARLIN: Before we get started,  
7 yeah. And then the Executive report before Mr. Tschida.

8 CHAIR COHEN: All right. And then we'll --  
9 actually we'll get to you, Mr. Fein, and then we'll go to  
10 Paul. All right, roll call vote -- roll call order.

11 BOARD CLERK ANDERSON: Malia Cohen.

12 CHAIR COHEN: Present.

13 BOARD CLERK ANDERSON: David Miller.

14 VICE CHAIR MILLER: Here.

15 BOARD CLERK ANDERSON: Frank Ruffino for Fiona  
16 Ma.

17 ACTING COMMITTEE MEMBER RUFFINO: Present.

18 BOARD CLERK ANDERSON: Jose Luis Pacheco.

19 COMMITTEE MEMBER PACHECO: Present.

20 BOARD CLERK ANDERSON: Kevin Palkki.

21 COMMITTEE MEMBER PALKKI: Good morning.

22 BOARD CLERK ANDERSON: Ramón Rubalcava.

23 COMMITTEE MEMBER RUBALCAVA: Present.

24 BOARD CLERK ANDERSON: Mullissa Willette

25 COMMITTEE MEMBER WILLETTE: Here.

1 CHAIR COHEN: The next order of business is going  
2 to Mr. Kevin Fein, who is going to give us an executive  
3 report.

4 CHIEF COMPLIANCE OFFICER FEIN: Thank you. Good  
5 morning, Madam Chair, Mr. Vice Chair, Committee members.  
6 Kevin Fein, CalPERS team member and Chief Compliance  
7 Officer. I have a very brief executive report today.  
8 While today's agenda is relatively short, the meeting will  
9 be longer than usual. The only substantive agenda item is  
10 this solicitation for third-party valuation and  
11 certification of annual actuarial reports finalist  
12 interviews and finalist selection.

13 The CalPERS Board of Administration has delegated  
14 to the Risk and Audit Committee the authority to conduct  
15 the interviews and selection of the Board's parallel  
16 valuation auditor and to recommend the finalist to the  
17 Board for its approval at the full Board meeting in June.

18 The next Risk and Audit Committee is scheduled  
19 for June 17th, 2025. Thank you, Madam Chair. This  
20 concludes my report. I'm happy to take any questions.

21 CHAIR COHEN: Thank you.

22 Colleagues, any questions for Mr. Fein.

23 Okay. Seeing none, thank you.

24 Now, we will hear from you, Paul.

25 SENIOR ACTUARY TSCHIDA: Thank you, Madam Chair.

1 Good morning, members of the Committee. I'm Paul Tschida,  
2 CalPERS staff actuary. The CalPERS Board of  
3 Administration, or "Board", has delegated to the Risk and  
4 Audit Committee, the "Committee", the authority to conduct  
5 the selection of the Board's parallel valuation auditor  
6 and to recommend the finalist to the Board.

7 On April 21st of this year, CalPERS released RFP  
8 number 2025-9409 to seek vendor participation to perform  
9 parallel valuation and certification services to the Board  
10 for a three-year period beginning in August of this year.  
11 CalPERS received six proposals by the final filing date of  
12 May 12th of this year. Five of the six proposals passed  
13 the technical proposal evaluations and had their fee  
14 proposal opened and scored.

15 The five finalists Cheiron, Incorporated, or  
16 Cheiron; Gabriel, Roeder, Smith and company, or GRS;  
17 Gallagher Benefit Services, Incorporated, or Gallagher;  
18 Milliman, Incorporated, or Milliman; and the Segal  
19 Company, or Segal, were invited for the oral interviews as  
20 scheduled today.

21 So I'll now take the time to update the Committee  
22 on the preliminary total scores of the firms based on a  
23 highest to lowest scores. Gallagher Benefit Services,  
24 Incorporated received 161 points for their technical  
25 proposal score, 300 points for their fee proposal score,



1 and 50 DVBE incentive points for a preliminary total score  
2 of 511 points.

3 Cheiron, Incorporated received 179 points for  
4 their technical proposal score, 264.2 points for their fee  
5 proposal score, and 50 DVBE incentive points for a  
6 preliminary total score of 493.2 points.

7 Gabriel, Roeder, Smith and Company received 165  
8 points for their technical proposal score, 266.49 points  
9 for their fee proposal score, and 50 DVBE incentive points  
10 for a preliminary total score of 481.49 points.

11 The Segal Company received 179 points for their  
12 technical proposal score, 199.61 points for their fee  
13 proposal score, and 50 DVBE incentive points for a  
14 preliminary total score of 428.61 points.

15 Milliman, Incorporated received 163 points for  
16 their technical proposal score, 204.37 points for their  
17 fee proposal score, and 50 DVBE incentive points for a  
18 preliminary total score of 417.37 points.

19 Now, each finalist will be allotted 35 minutes  
20 for the interview. That includes five minutes for the  
21 presentation, 25 minutes for the interview questions from  
22 the Committee for questions and answers. And all  
23 finalists will be asked the same questions, I will note.  
24 And if needed, the Committee will have a five-minute  
25 period for clarifying or following up on questions based

1 on the finalist interview responses.

2 At the conclusion of the interviews, the  
3 Committee will deliberate, use the consensus scoring  
4 methodology, and vote on a motion for the interview  
5 scores. The interview scores will be collected and  
6 combined with the preliminary total scores to determine a  
7 total score for each finalist. The Committee will then be  
8 asked to make a motion recommending the Board award the  
9 contract to the finalist with the highest total score,  
10 subject to final negotiations and satisfaction of all  
11 requirements.

12 That is the end of my remarks and I'm happy to  
13 take any questions.

14 CHAIR COHEN: Thank you very much.

15 Colleagues, any questions?

16 Mr. Ramón Rubal --

17 COMMITTEE MEMBER RUBALCAVA: No.

18 CHAIR COHEN: Oh, okay. We have no questions.  
19 Thank you for your presentation.

20 All right. I want to remind the Committee just  
21 of our ground rules. Once we start, please plan to stay  
22 through the entire interview process. I'd like to now ask  
23 that the roll be taken, so that the record reflects the  
24 Committee members present and the record reflects those  
25 that are participating in the interview process, as well

1 as the selection process for this contract.

2 BOARD CLERK ANDERSON: Malia Cohen.

3 CHAIR COHEN: Present.

4 BOARD CLERK ANDERSON: David Miller.

5 VICE CHAIR MILLER: Here

6 BOARD CLERK ANDERSON: Frank Ruffino for Fiona  
7 Ma.

8 ACTING COMMITTEE MEMBER RUFFINO: Present.

9 BOARD CLERK ANDERSON: Jose Luis Pacheco.

10 COMMITTEE MEMBER PACHECO: Present.

11 BOARD CLERK ANDERSON: Kevin Palkki.

12 COMMITTEE MEMBER PALKKI: Good morning.

13 BOARD CLERK ANDERSON: Ramón Rubalcava.

14 COMMITTEE MEMBER RUBALCAVA: Present.

15 BOARD CLERK ANDERSON: Mullissa Willette.

16 COMMITTEE MEMBER WILLETTE: Here.

17 CHAIR COHEN: All right. Great. All right.

18 Without any further ado, we'll now conduct the interviews  
19 in alphabetical order. We're going to be starting with  
20 Cheiron first. We will follow up with Gabriel, Roeder,  
21 and Smith -- Gabriel, Roeder, Smith and Company will be  
22 second. Gallagher Business Services, Incorporated will be  
23 third. Milliman, Incorporate will be 4th. And the Segal  
24 Company will be the last to be interviewed today.

25 Each finalist will have five minutes for a

1 presentation and 25 minutes for a question and answer  
2 period. If needed, the Committee will have five  
3 minutes -- have a five-minute period for clarifying or  
4 follow-up questions, based on the finalist interview  
5 responses. The clock located on the dais below will show  
6 you the time remaining in each segment. Please note that  
7 we will be holding firmly to the allotted time.

8 Committee members, please note that the questions  
9 have been provided to you at the dais. Does everyone have  
10 them?

11 Perfect.

12 At this time, I'd like to remind the finalist  
13 that each of your firms signed and submitted the CalPERS  
14 Board of Administration interview form in the proposal.  
15 This form represents a pledge that each of you will not  
16 take any attempt to listen to or watch the interviews with  
17 the other finalists, nor have anyone do so on your behalf.  
18 Now, of course, failure to adhere to this requirement will  
19 resort -- will result in your firm's disqualification from  
20 this engagement.

21 Scores will be determined via consensus scoring  
22 methodology as prescribed in the RFP after all finalists  
23 have been interviewed. The Committee will discuss the  
24 interviews and a score for each finalist will be motioned  
25 for discussion, and then seconded and voted upon, or a

1 substitute motion will be made.

2 And one programming note for the audience that is  
3 watching this meeting remotely over the internet. We're  
4 not going to turn out -- we are going to turn off the  
5 webcast of the meeting during the interviews in order to  
6 ensure that there is a fair process where no firm is able  
7 to see its competitor's interviews. We will resume the  
8 webcast after the interviews, so that you will be able to  
9 see the Committee's discussions and score of firms.

10 Does anyone have any questions?

11 Are we clear?

12 All right. If there are no questions, at this  
13 point, we will now begin the interviews.

14 Cheiron, are you present?

15 I'd like to invite all the representatives of the  
16 Cheiron to be -- that are present to come on up. As you  
17 transition up, you'll have five minutes for your  
18 presentation. Staff please start the clock at five  
19 minutes.

20 (Slide Presentation).

21 CHAIR COHEN: All right. Good morning. Are you  
22 ready to begin.

23 BILL HALLMARK: Good morning.

24 CHAIR COHEN: All right. The floor is yours.  
25 Please begin the clock.

1 [SLIDE CHANGE]

2 BILL HALLMARK: Good morning, Madam Chair,  
3 members of the Committee. I'm Bill Hallmark.

4 ANNE HARPER: And I'm Anne Harper.

5 BILL HALLMARK: We're with Cheiron. And this is  
6 our Cheiron team. We proposed a team of three co-leads,  
7 Graham Schmidt, Anne Harper, and myself. Unfortunately,  
8 Graham Schmidt is out of the country and was unable to  
9 attend today.

10 We each have decades of experience working with  
11 public sector retirement plans. And in particular, Graham  
12 and Anne sit on the California Actuarial Advisory Panel  
13 and serve in those roles. I served for several years  
14 as -- in various positions with the American Academy of  
15 Actuaries, including serving as Vice President of pensions  
16 for a couple years. Graham also works on the Society of  
17 Actuaries Retirement Plans Experience Committee that  
18 develops the mortality tables that the public sector uses.  
19 CalPERS does not, because you are large enough to create  
20 your own mortality table.

21 And we have four support actuaries assigned to  
22 this project. I want to point out Mike Moehle, the first  
23 one, because he leads our internal auditing team and has  
24 extensive experience replicating valuations. We, unlike I  
25 think most other actuarial firms, have someone like Mike

1 dedicated to go through all of our valuations and  
2 replicate them on a three- to five-year cycle, just as  
3 part of our internal quality controls. And then he also  
4 supports our external actuarial audits. We don't expect a  
5 lot of additional data work in this project, but we do  
6 have two data specialists assigned, and a very senior peer  
7 reviewer.

8           And then as special resources, we have Steve  
9 McElhaney who serves on the Actuarial Standards Board's  
10 Pensions Committee for any references we need there to  
11 actuarial standards.

12                           [SLIDE CHANGE]

13           BILL HALLMARK: We wanted to highlight our audit  
14 experience. And we've done quite a few statewide audits  
15 there, including CalSTRS and the University of California.  
16 We have also audited the CalPERS Experience Study and  
17 replicated it. We have numerous statewide valuation  
18 clients. And we have done a lot of work in the state of  
19 California. We have three of the four Charter Cities, San  
20 Diego, San Francisco, and San Jose, as well as six of the  
21 20 1937 Act counties. And then we've audited many of the  
22 other systems, including Los Angeles, and 13 of the 20 '37  
23 Act counties.

24                           [SLIDE CHANGE]

25           ANNE HARPER: So I'm just going to talk a little

1 bit about one of the attributes of Cheiron that is unique  
2 to Cheiron is our hands-on approach, and that is  
3 concerning with the consultants, all three of the lead  
4 consultants on -- proposed for this team. We can program  
5 our projection model and we do that independently, and so  
6 it's not a black box. But more importantly for this  
7 project, Graham Schmidt and I both are extensive  
8 programmers in our valuation software, know how to edit  
9 and program itself. And that's really important for a  
10 scope of work like this, because if there are any  
11 discrepancies you have high level expert actuaries with  
12 lots of experience and knowledge to be able to kind of  
13 resolve those issues before we have to take that to the  
14 next level.

15 BILL HALLMARK: And I think we'll just move to  
16 the next slide here.

17 [SLIDE CHANGE]

18 ANNE HARPER: So we did want to talk about our  
19 commitment to DEI just briefly. We are committed to an  
20 inclusive workplace. We do recruit at all universities  
21 across the country, so that we have a diversity of people  
22 with different backgrounds. We have an affirmative action  
23 plan policy, which does promote diversity and inclusion.  
24 And basically, we look at where our goals are every year  
25 and the CE -- or the EEO Committee, the head of



1 recruiting, and our CEO and COO get together once a year  
2 to kind of go over these results.

3 [SLIDE CHANGE]

4 ANNE HARPER: And most importantly, we have all  
5 these things in place, but what's really eye-opening is  
6 that we do have that diversity of backgrounds. We don't  
7 just have this plan and you can see here that it takes  
8 place across all levels of our leadership. Even in our  
9 management -- upper management, we have four female board  
10 of directors. And those four women were also the -- part  
11 of the original founders back when Cheiron founded about  
12 22 years ago.

13 BILL HALLMARK: So thank you. We'll take  
14 questions.

15 CHAIR COHEN: Okay. Great timing. Thank you  
16 very much. So now, we are going to proceed into the 25  
17 minute question and answer segment and interviews.

18 I'll begin with the first question. First  
19 question is as the Board's independent consultant, how do  
20 you ensure independence yet maintain a collaborative  
21 working relationship with CalPERS, CalPERS management,  
22 and -- calPERS management and team members?

23 BILL HALLMARK: Yeah. So we have tremendous  
24 respect for the Actuarial Office at CalPERS. And so, we  
25 establish a good working relationship in order to really

1 resolve and reconcile any differences. However, we do  
2 stick to exactly what our opinions are. We are fine  
3 having differences of opinion. And I think you could see  
4 that in our experience study replication we did for  
5 CalPERS. We ended up with a couple findings where we  
6 disagreed with the actuarial office. We talked those  
7 differences out, so that we both understood each other's  
8 positions, but came forward with our recommendations, in  
9 any case.

10 ANNE HARPER: And I just want to reiterate, in  
11 terms of more of the detail of what goes on with an audit,  
12 because we have high level consultants being able to  
13 program and look at the calculations in our valuations  
14 software, a lot of times we are able to resolve all those  
15 issues before we have to bring it to a next level, before  
16 we even have to have any discussions with CalPERS staff or  
17 their actuaries. So that always -- we tend to be able to  
18 resolve those internally before needing to go further.

19 CHAIR COHEN: All right. Thank you very much.  
20 Next question will be asked by David Miller.

21 VICE CHAIR MILLER: There we go. Please describe  
22 your firm's theory and methodology used in recommending an  
23 appropriate actuarial cost method for a public pension  
24 fund and discuss how your firm will ensure your staff is  
25 up to date with regulatory requirements and actuarial

1 standards of practice.

2 ANNE HARPER: So I can take the first part, the  
3 part about keeping staff up to date on California laws  
4 specifically. So, as Bill mentioned, both Graham Schmidt  
5 and myself are on the California Actuarial Advisory Panel.  
6 So it is our job to know what is going on in California.  
7 In fact, we were part of the work plan to draft a response  
8 to the AB 1383 bill that came out. And we've drafted that  
9 letter. I know the bill is dead now, but we are still  
10 moving forward and going to send that letter to the  
11 appropriate government bodies to let them know our  
12 perspective on how the law was written.

13 And so those -- and also, we do practice in  
14 California. We have two offices here. I solely work on  
15 California systems as well as Graham Schmidt. And so we  
16 have a lot of -- just received into the California  
17 Legislature and the actuarial world.

18 BILL HALLMARK: So I'll try and hit both ends,  
19 the actuarial cost method and the standards. On the  
20 actuarial cost method, I was one of the contributors to  
21 the CCA's white paper on funding for public plans. We  
22 went through a whole analysis of the different cost  
23 methods. We graded the entry age normal method as model.  
24 And I think most plans use a version of the entry age  
25 normal method.

1           The reason it was graded as model in that paper  
2 is because it maintains costs -- or structures costs as a  
3 level percentage of payroll over an entire individual's  
4 career. And so you can -- there are some variations that  
5 you may want to apply in different situations, but there  
6 are a lot of nuances to determine.

7           In terms of the standards of practice, I  
8 mentioned we have Steve McElhaney who serves on the  
9 Pension Committee of the Actuarial Standards Board. My  
10 work with the Academy, I am routinely drafting comment  
11 letters on any proposed standards. And so I end up going  
12 through those proposals as they are being developed. And  
13 so very involved in the actuarial community in discussing  
14 any changes to those standards and how they may be  
15 applied. And frequently I'm a speaker at actuarial  
16 conferences about changes in the actuarial standards.

17           ANNE HARPER: And every year, we have an annual  
18 consultant meeting at Cheiron, where all of the  
19 consultants who are credentialed get together and there  
20 are many presentations on any of tease ASOP updates  
21 that -- so that the information is disseminated across all  
22 of our consultants nationwide.

23           CHAIR COHEN: All right. Moving on. Next  
24 question, Mr. Frank Ruffino.

25           ACTING COMMITTEE MEMBER RUFFINO: Good morning.

1 Am I on?

2 There we go.

3 Good morning. Please describe your quality  
4 control processes for actuarial audit reports and  
5 recommendations and how are these services monitored and  
6 reviewed?

7 ANNE HARPER: I'll start with that question. So,  
8 our quality control process is very strict and rigid. We  
9 always have on our teams, we have a doer, checker, and  
10 reviewer. So we have a three tier level of review of  
11 every work product, the calculations, in ProVal -- or in  
12 our valuations software, in our calculation spreadsheets,  
13 and in our reports. So there's that three level of review  
14 for all of those items. And then, we also have an  
15 independent peer review of the final report from someone  
16 who is not on the client team, but someone who's got a  
17 depth of experience, someone with 30 or -- 30 years of  
18 experience will review that just for high level to see  
19 that we're complying with the ASOPs, to see that we're --  
20 that all of the calculations look correct on that on a  
21 higher level and an independent review.

22 BILL HALLMARK: I think that's fine.

23 ANNE HARPER: Okay.

24 CHAIR COHEN: All right. Next question is going  
25 to be coming from Mr. Jose Luis Pacheco.

1 COMMITTEE MEMBER PACHECO: Thank yo. Thank you,  
2 Madam Chair. Please explain how your firm would reconcile  
3 differences between CalPERS's calculations of normal  
4 costs, liabilities, or present value of benefits, and your  
5 calculation of those, if the difference were larger than  
6 five percent?

7 BILL HALLMARK: Yeah. So if the differences are  
8 larger than five percent, then we start looking at more  
9 detailed information to see if we can determine what is  
10 causing those differences. It could be different  
11 interpretations of the PERL. It could be different  
12 applications of assumptions or a variety of things. And  
13 so, the first level is to break down the individual  
14 decrements -- the liabilities for the individual  
15 decrements to see which decrements we may be matching or  
16 not matching on.

17 And then we use our own expertise to make some  
18 adjustments, but then we may also talk with the Actuarial  
19 Office and specifically request additional information.  
20 It can progress to where we need a couple sample lives, so  
21 that we can see exactly how the calculation is working on  
22 an individual.

23 Then, once we determine what is causing the  
24 difference, then we have to assess whether the way we did  
25 it originally is the most appropriate, or if the way the

1 Actuarial Office is doing it is the most appropriate. And  
2 so that's an assessment, at that point, about the actual  
3 calculation or an interpretation of a plan provision. We  
4 have seen particularly obscure plan provisions. We will  
5 read the PERL directly and make an interpretation and  
6 sometimes we come up with an interpretation that differs  
7 from something else, and we have had cases where that goes  
8 back to the state for review of what was the intent of  
9 that actual plan provision, when both interpretations  
10 appear to be reasonable.

11 COMMITTEE MEMBER PACHECO: Thank you.

12 CHAIR COHEN: All right. Thank you. Next  
13 question is from Calvin -- Kevin Palkki.

14 COMMITTEE MEMBER PALKKI: Thank you, Madam Chair.

15 How does your experience having worked with or  
16 not worked with CalPERS in the past provide a competitive  
17 advantage, how would you leverage this competitive  
18 advantage to our benefit, and describe potential  
19 challenges and how you would overcome them?

20 ANNE HARPER: Yeah. So the potential challenges,  
21 I'll start from the end there, is that -- I'm going to be  
22 honest, the first task here is to replicate 20 valuations  
23 within four months. So that in and of itself is a  
24 challenge, and -- but we think that we can handle that  
25 because of our expertise with our team, our internal

1 actuarial auditor, Mike Moehle, and we have a very robust  
2 team of experienced California actuaries as well.

3           So I think, since we haven't been the auditing  
4 actuary for you on the audit, we don't have that hands-on  
5 experience with yours -- with CalPERS, but we do work  
6 extensively in California, which has very similar plan  
7 structures, and we have many of our own internal clients  
8 who have very complex benefit structures and funding  
9 policies, where some of them have over 40 to 50 different  
10 cost groups, if you will. So you're almost doing 40 or 50  
11 different valuations within one system. So, Bill, you can  
12 elaborate, if you want.

13           BILL HALLMARK: Yeah. So we also have replicated  
14 your experience study, which gives us some familiarity.  
15 It's not the same as performing the actual valuations and  
16 calculations, but we're at least familiar with the  
17 different groups and how some of the behavior is  
18 different. And then with our extensive work in  
19 California, both with our own clients and auditing other  
20 California plans that have similar, but not identical,  
21 structures, that helps provide some leverage.

22           Having said that, CalPERS is the largest and has  
23 a lot of complexity of its own that will be new and  
24 different and as -- provide a challenge.

25           ANNE HARPER: Yeah, I think it's important to



1 have a fresh set of eyes when you're doing auditing work  
2 every few cycles or so just to -- we might pick up  
3 something that your previous actuary might not have and  
4 you would be able to take that fresh set of eyes looking  
5 at your system.

6 COMMITTEE MEMBER PALKKI: Thank you.

7 CHAIR COHEN: All right. Moving on, we have  
8 Ramón Rubalcava.

9 COMMITTEE MEMBER RUBALCAVA: Thank you, Madam  
10 Chair. What is the principal actuary's experience with  
11 State pension plans? Describe your experience auditing  
12 pension plans, including length of time and size of plans.

13 Thank you.

14 BILL HALLMARK: So we listed the statewide audits  
15 up there. Graham has done the University of California.  
16 Graham and I did CalSTRS. I've done Washington. My first  
17 statewide audit was almost 25 years ago for Oregon. And  
18 we've also -- and I also did Arizona. So we have dealt  
19 with large systems and worked with those audits through  
20 the large systems. Some are simpler benefit structures  
21 than CalPERS. Some of the smaller audits have very  
22 complex benefit structures, so there's a full variety of  
23 experience there. And, you know, we've done 13 of the 20  
24 1937 Act counties. We have audited those systems. Anne  
25 has done many of those.

1           ANNE HARPER: So, yeah, I also worked on the  
2 University of California statewide audit. And all three  
3 of us, Graham, Bill, and myself, have been working on  
4 audits in California specifically for over 15 years. And  
5 we have over 20 years experience, each of us, just in the  
6 actuarial profession. So we have been doing these audits  
7 for a long time and have a lot of experience doing so.

8           BILL HALLMARK: We'd also add, Anne and I did the  
9 Texas County and District Retirement system. They have  
10 a -- kind of a unique structure in that each employer has  
11 a menu of options that's not just the formula, but they  
12 can choose among five different attributes for their  
13 formula and they can change them every year.

14           So it changes the benefits earned for the year  
15 going forward, both in terms of the multiplier that's  
16 applied, and the COLA that's earned, and a variety of  
17 things. So that is -- it's not nearly -- anywhere near as  
18 large as CalPERS, but it is a unique complex structure  
19 that we had to accommodate for our replication audit.

20           COMMITTEE MEMBER RUBALCAVA: Thank you.

21           CHAIR COHEN: Next question is going to be posed  
22 from Member Mullissa Willette.

23           COMMITTEE MEMBER WILLETTE: Thank you. Good  
24 morning.

25           My question is is how engaged will the principal

1     actuary be with our work on the plan and will the key  
2     people in the proposed contract be assigned to CalPERS for  
3     the life of the contract?

4             ANNE HARPER:   So Graham is assigned as principal  
5     actuary.   And as we have said, we're all really co-leads,  
6     but the three of us are really going to be doing most of  
7     the high level review.   And as I had said, we are going to  
8     get in and do a lot of the review and checking of the  
9     coding, if not editing the coding ourselves, if we see  
10    that there are issues with it.   So you have us as hands-on  
11    consultants not just reviewing the numbers.   We're  
12    actually developing them and have -- you know, they're  
13    basically ours as well.   It's not just the analyst or the  
14    project manager.   So they are the ones doing the main part  
15    of the work, but as I said, we are very seasoned in doing  
16    these audits.

17            In fact, usually when we assign audit teams, if  
18    someone is a project manager on a normal client team,  
19    they'll become an analyst on an audit, because you need  
20    that level of expertise to be able to dive in, and do the  
21    work, and be familiar with it.   It's not just something  
22    that you pick up every year and do a valuation that's  
23    already there.   You have to create it going forward.   So  
24    we really do have that structure where the consultants are  
25    doing a decent amount of the work.

1 BILL HALLMARK: And particularly if there's any  
2 reconciliation --

3 ANNE HARPER: Yes.

4 BILL HALLMARK: -- then the consultants are very  
5 heavily involved in looking at the reconciliation  
6 alternative methods of doing the valuation to figure out  
7 exactly what's causing the -- any differences. And, yes,  
8 the three of us will be committed to the team for the  
9 three-year cycle.

10 CHAIR COHEN: All right. Thank you. So we're at  
11 question number eight, which is the last question. I'll  
12 be posing this last question. It's about your firm's  
13 culture and values. What aspects of your firm's culture  
14 and values align with CalPERS as you understand CalPERS  
15 culture and value to be?

16 ANNE HARPER: So I touched on this briefly with  
17 our presentation, but our values and culture are one of  
18 inclusion and diversity. In fact, our -- we also -- I  
19 didn't mention it in this slide, but we also have a  
20 non-discrimination, non-retaliation policy, and a training  
21 that all of our employees go through annually. And we  
22 have to complete that. And the President of our company  
23 and all of the board of directors are on board with this  
24 is as well.

25 We have that affirmative action plan, where we

1 are actively recruiting people from all different  
2 backgrounds, all walks of life. And we find that having  
3 diversity in the workplace can help solve problems,  
4 instead of just having one mindset where you get trapped  
5 into a train of thought going down a pathway, and there's  
6 no one to go back and forth with, if you will, on the pros  
7 and cons of different situations. So we find that having  
8 that broad group of perspectives and thought is important.  
9 And I know that CalPERS is also on the same page as that.

10 BILL HALLMARK: I think in addition to our  
11 commitment to DEI, there's our commitments to integrity  
12 and excellence in the profession, and providing the best  
13 results for our clients. So I would just -- we wanted to  
14 emphasize the DEI here in particular, but that's not the  
15 full scope of the culture, and where we can act. We are  
16 also known for our use of technology and innovation in  
17 developing tools.

18 CHAIR COHEN: All right. That leaves six  
19 minutes. Would you like to fill the six minutes with any  
20 information that we did not ask or you can rest where you  
21 are and finish early. It looks like a few of my Committee  
22 persons have questions for you.

23 BILL HALLMARK: Okay.

24 ANNE HARPER: Okay.

25 CHAIR COHEN: So we'll go there. We'll go with

1 Kevin Palkki and then we'll follow up with Ramón  
2 Rubalcava.

3 COMMITTEE MEMBER PALKKI: Thank you, Madam Chair.  
4 Just really quickly, you mentioned innovation on  
5 technology. Can you share a little bit about that on  
6 what a -- what innovations you guys have done?

7 BILL HALLMARK: Yeah. So when our -- when our  
8 firm was founded, we were one of the only firms that was  
9 doing projections as a part of every valuation. And we  
10 have a proprietary projection model that has obviously  
11 evolved over the last 20 plus years, but that's one piece  
12 of it. And we include that even in our actuarial audits,  
13 because it's a secondary quality check on the  
14 sustainability of the methodologies and the soundness of  
15 the methodologies looking at projected returns.

16 Since then, we've developed other tools. We use  
17 many tools in the experience study in some of our comments  
18 back to the Actuarial Office. We're to encourage them to  
19 adopt some more tools to help go through the hundreds --  
20 thousands of assumptions that they have to set. It's a  
21 very challenging process for them.

22 And we are also using some web-based  
23 communication tools and building some of those pieces into  
24 PowerPoints, so that we can show some movement in our  
25 slides, and it helps illustrate some of our points better

1 in charts. We did not include any in this particular  
2 presentation, because we need to run the presentation on  
3 our proprietary machines. But they have been very well  
4 received by trustees, because it really does help them  
5 understand some of the aspects of the plan and the  
6 valuation.

7 ANNE HARPER: One of our more recent audits in  
8 California, one of the '37 Act clients, we actually did  
9 some machine learning, where we were doing an experience  
10 study replication, and we took the data that we had from  
11 that experience study, just the exposures in decrements,  
12 meaning there was no individual information going into the  
13 machine learning. It was just like data, if you will,  
14 non-identifiable data, and we put it into the machine  
15 learning to generate what they would -- what this machine  
16 learning would recommend or for assumption change -- not  
17 assumption changes, but what they would recommend for  
18 looking at the assumptions.

19 So it was just a really interesting process that  
20 we went through, because it turned out that --  
21 unfortunately for actuaries, it turned out that it came up  
22 with the same similar recommendations that we did.

23 BILL HALLMARK: I should also say, although we're  
24 not really implementing anything extensively, we've been  
25 experimenting with AI to figure out what it can and can't

1 do, where it could help us, and where we need to steer  
2 clear just to understand it.

3 We have tried some experiments where there's  
4 some -- there's an AI generated podcast that's on our  
5 website that's based on a paper I wrote on the funding  
6 progress for public plans. But so far it's just  
7 interesting, but not -- it's not affecting our actual work  
8 processes yet.

9 COMMITTEE MEMBER PALKKI: Thank you.

10 CHAIR COHEN: Okay. Next speaker.

11 COMMITTEE MEMBER RUBALCAVA: Thank you, Madam  
12 Chair. I want to follow up on the discussion about how  
13 you reconcile differences. You mentioned that there was a  
14 difference of opinion on the experience study. Was that  
15 on the findings or the assumptions used or what -- can you  
16 explain a little bit more what the difference was and how  
17 it was reconciled.

18 BILL HALLMARK: So, there were a couple, but the  
19 main one that I recall was early on we were focused on a  
20 benefit-weighted analysis of mortality and the Actuarial  
21 Office was doing a headcount weighted analysis. And this  
22 was about the time that the Society of Actuaries was going  
23 to come out with their new mortality tables. And so the  
24 Actuarial Office had their theory about why for CalPERS a  
25 head count weighted mortality made sense, but we pointed



1 out that the national analysis was going to recommend a  
2 benefit weighted mortality. And the national analysis  
3 CalPERS data was a significant portion of that data set  
4 and analysis.

5 And so we went back and forth on the theories of  
6 the differing approaches. And so we -- but we left in our  
7 report a recommendation that at least in the future, they  
8 do an analysis on mortality on a benefit weighted basis.

9 COMMITTEE MEMBER RUBALCAVA: Thank you for  
10 raising that issue with CalPERS.

11 The other question, this time you'll do a  
12 parallel actuarial assumption -- I mean, actuarial  
13 valuation as opposed to looking at the experience study.  
14 The Board -- I'm sorry, the -- did -- you were given the  
15 data from CalPERS, and that includes the assumptions, and  
16 it's a parallel valuation that's been printed and  
17 released. Do you ever raise issues on -- or have you ever  
18 raised issues on the actuarial assumptions used, whether  
19 they were reasonable or not?

20 BILL HALLMARK: We have. It's not common,  
21 because usually the -- when we're doing the parallel  
22 valuation, we certainly don't have the depth of data that  
23 we would in replicating an experience study. So it would  
24 be more common for us to raise issues with some of the  
25 economic assumptions, either inflation or discount rate,

1 and that sort of thing.

2 We've served as the State actuary for the State  
3 of Illinois in reviewing the five Illinois plans. And  
4 early on, when we were doing those, we were making  
5 recommendations that they lower their discount rate, but  
6 they've all -- they've all done that now, so we are no  
7 longer taking exception to the discount rates that are  
8 being used.

9 CHAIR COHEN: I'm going to jump in here. We are  
10 now in the final five minutes of this time segment. Jose  
11 Luis Pacheco has one last question. Did you finish your  
12 thought?

13 BILL HALLMARK: Yeah.

14 CHAIR COHEN: Great. We're going to get to this  
15 last question and then we're going to move on.

16 COMMITTEE MEMBER PACHECO: Yes. Thank you.  
17 Thank you, Madam Chair. My question is basically broad.  
18 Back to number one question, how you would provide  
19 independence. And if you can elaborate on your philosophy  
20 of transparency and independence with respect to your  
21 valuation, that would be appreciated.

22 BILL HALLMARK: You want to start.

23 ANNE HARPER: Go ahead.

24 BILL HALLMARK: So I think the independence is  
25 core to our values, independence and integrity. So we do

1 not want to compromise on our views and change our views  
2 just to agree with someone else. But we do recognize also  
3 there's a reasonable range for assumptions, and methods,  
4 and some of those things. But when we're doing a  
5 replication of a valuation, a large part of it is just  
6 matching the calculations, and making sure that we've  
7 programmed our software correctly, and the Actuarial  
8 Office has programmed their software correctly.

9 And so from our viewpoint, we have our own  
10 reputation to protect. And we do not want to compromise  
11 that reputation by just agreeing to something that we  
12 don't really believe. And so, we hold firm to what we  
13 believe, but like I was trying to describe before, we work  
14 with the Actuarial Office to make sure we understand their  
15 beliefs and rationale for what they're doing, and then  
16 express our beliefs and rationale for what we are doing.  
17 And if we don't come to an agreement on those, then the  
18 two points of view get presented in an audit. And it  
19 depends on how significant they are. Most of the time,  
20 we're talking about something relatively minor.

21 ANNE HARPER: I've seen some audits where you  
22 have a lot of different tiers and you have a legacy tier  
23 and a PEPRA tier, right? And when the legacy tier is  
24 dwindling and there are very few active members, a lot of  
25 times, you're going to start to see more discrepancies in

1 those calculations, because you have just so few people  
2 that you're reviewing. And when PEPRA first came out, it  
3 was also true of PEPRA, because there was only, you know,  
4 your new hires that came into the system that you're  
5 looking at. So a lot of times when we were doing audits  
6 back then, we would see these discrepancies outside of  
7 that five percent range. And a lot of the discrepancies  
8 there were due to how you're allocating past service  
9 versus future service. And when you only have a couple  
10 years of service, those small differences can make a  
11 bigger difference in the relative difference in the  
12 liabilities that we're looking at.

13           So we have a lot of experience looking at that.  
14 And sometimes, what we might do is instead of asking  
15 CalPERS for a detailed sample lives, which we do  
16 sometimes, but sometimes we'll offer them to look at our  
17 sample lives, so they can review what we're doing, and  
18 maybe give us just -- just say, well, this isn't where we  
19 -- the issue is, because we agree or -- it -- so we do do  
20 that back and forth.

21           BILL HALLMARK: We want to make sure that any  
22 difference we point out is an actual difference and not --

23           ANNE HARPER: Right.

24           BILL HALLMARK: -- just something mistaken or  
25 miscommunicated in there. So if we are going to report a

1 difference, there's a lot of communication back and forth  
2 to make sure that it's a real difference and that we  
3 understand why there is that difference, and we can make a  
4 fair presentation for why there is that difference.

5 COMMITTEE MEMBER PACHECO: Thank you.

6 CHAIR COHEN: All right. We're out of time.  
7 Thank you very for your presentation and thank you for  
8 your interest in working with us.

9 BILL HALLMARK: Thank you.

10 ANNE HARPER: Thank you very much.

11 CHAIR COHEN: All right. At this time, I'd like  
12 to ask the staff to invite the representatives of Gabriel,  
13 GRS.

14 Please come on down, have a seat, take a mic.  
15 All right. Good morning. Thank you very much for your  
16 interest in working with CalPERS. At this time -- well,  
17 let me back up. Your firm was asked not to view the  
18 interviews that preceded you. Can you confirm to the best  
19 of your knowledge that you firm didn't review -- didn't  
20 view the interviews. Please say yes for the record.

21 JOSEPH NEWTON: Yes, ma'am

22 CHAIR COHEN: All right. Thank you very much.  
23 All right. This is, colleagues, this is Gabriel, Roeder,  
24 Smith and Company that are going to be making a  
25 presentation to us. Gentlemen, you will have five minutes

1 for your presentation. Staff please start the clock. The  
2 floor is yours.

3 MITA DRAZILOV: Good morning.

4 CHAIR COHEN: Morning.

5 MITA DRAZILOV: Can you all hear me fine?

6 CHAIR COHEN: Yes.

7 MITA DRAZILOV: Thank you.

8 [SLIDE CHANGE]

9 MITA DRAZILOV: My name is Mita Drazilov, and  
10 with me today are my colleagues Joe Newton and James  
11 Sparks. We are from Gabriel, Roeder, Smith and Company.  
12 We would like to thank you for the opportunity to meet  
13 with you today.

14 If we could go to the next slide, please.

15 [SLIDE CHANGE]

16 MITA DRAZILOV: Gabriel, Roeder, Smith and  
17 Company, or GRS, is a national actuarial consulting firm  
18 established in 1938. We have 128 employees in the GRS  
19 family, with 65 public sector focused credentialed  
20 actuaries, the most of any actuarial firm in the nation.

21 Our firm is somewhat unique in that it is 100  
22 percent employee owned, with broad based ownership amongst  
23 the GRS Associates, which provides a diverse ownership  
24 structure of GRS, with all GRS employees feeling like they  
25 have real skin in the game.

1           GRS is 100 percent focused on the public sector  
2 and is the unmatched leader in nationally providing  
3 actuarial consulting services to the public sector.

4           Next slide, please.

5                               [SLIDE CHANGE]

6           MITA DRAZILOV: Our clients are extremely  
7 important to GRS, but as the thought leader in the public  
8 sector nationally in the actuarial community, we believe  
9 that it is very important to support the industry. And we  
10 do that both at an actuarial level, as well as at a system  
11 level. And on this slide, you can see how we do that at  
12 a -- an actuarial level. So if you look at basically  
13 let's say one o'clock on the clock, we -- the Gabriel,  
14 Roeder, Smith and Company has been very heavily involved  
15 in developing the actuarial standards of practice through  
16 the Actuarial Standards Board.

17           Myself, Mita Drazilov, I participated on the  
18 Pension Committee of Actuarial Standards Board from  
19 roughly about 2008 to about 2014. And I also participated  
20 on the full Board from 2018 to 2020.

21           One of the individuals that you are going to see  
22 on our proposed team, Dana Woolfrey, is a current member  
23 of the Pension Committee of the Actuarial Standards Board,  
24 and our apologies for Dana not being able to attend today,  
25 but she had a previous commitment with an Actuarial

1 Standards Board meeting today, which unfortunately means  
2 she could not attend with us today.

3 But we also have two other individuals in our  
4 firm, James Rizzo and Piotr Krekora, who also serve on the  
5 ASOP Number Six task Force. We're involved in the  
6 American Academy of Actuaries and the Retirement Practice  
7 Council, the Public Plans Committee, and that's our  
8 President, Judith Kermans, as well as the Social Security  
9 Committee, which is Brian Murphy and Piotr Krekora.

10 On the Society of Actuaries, Piotr Krekora is a  
11 current member of what we call the Retirement Plans  
12 Experience Committee. They developed mortality tables  
13 for -- specifically for public employee retirement  
14 systems, so that there was a better assumption set to  
15 value public employee retirement systems with respect to  
16 post retirement mortality, based upon public employee  
17 retirement system.

18 On the Conference of Consulting Actuaries, we  
19 have individuals that participate in programs for the  
20 Committee for the Enrolled Actuaries Meeting, as well as  
21 the CCE annual meeting, as well as the Public Plans  
22 Steering Committee. So we take that responsibility very  
23 important. We've had much history in our firm doing that.  
24 And --

25 CHAIR COHEN: Yeah. Sorry, five minutes. So we



1 are going to have --

2 MITA DRAZILOV: Thank you.

3 CHAIR COHEN: -- strict --

4 MITA DRAZILOV: No, that's fine. My apologies.

5 CHAIR COHEN: -- timelines that are going to help  
6 guide this conversation.

7 MITA DRAZILOV: Thank you.

8 CHAIR COHEN: So now, we're going to set for 25  
9 minutes where we will ask you a series of eight questions.  
10 If there's any time remaining and colleagues have  
11 follow-up questions, we -- they will just pepper you with  
12 those follow-up questions.

13 I'm going to start with the first question. So  
14 the first question is, as the Board's independent  
15 consultant, how do you ensure independence, yet maintain a  
16 collaborative work relationship with the CalPERS  
17 management staff?

18 MITA DRAZILOV: Let me begin with that question.  
19 If my colleagues have some additional insights, please  
20 elaborate

21 I am -- take that responsibility very seriously.  
22 For most GRS actuaries, we work for the retirement board  
23 in most of our consulting relationships. Having said  
24 that, our main interaction isn't with the Board of  
25 trustees, it's with either a client contact in executive

1 staff, or, for example, in in-house actuarial staff at  
2 CalPERS, the CalPERS actuarial staff. At the end of the  
3 day, we know that we work for the board of trustees.

4 And I've been in this business for just under 35  
5 years. And in the first, roughly I'll say, about half to  
6 two-thirds of my career, I've seen too many situations  
7 where difficult conversations had to be made with either  
8 the board of trustees or our main contacts, because of  
9 areas of disagreement, either between us and the contact  
10 or maybe executive staff and the Board.

11 And our position is that in many instances in the  
12 past, the actuary would take the route of -- we're saying  
13 in a -- the best term I can think hostile, the least  
14 resistance way of doing things. Basically, making the  
15 actuaries, or the staff's, or the Board's life the most  
16 easiest. And if the Board's -- one of the Board's main  
17 objective is to ensure the financial stability of CalPERS,  
18 then our belief is that the most informed, educated,  
19 dialogue should happen amongst all of the interested  
20 parties, so that the financial security of CalPERS is the  
21 underlying goal.

22 If the Board or staff does not have the best  
23 advise from its independent consultant, I've seen too many  
24 instances where an inappropriate decision has been made to  
25 the detriment of the financial security of the retirement

1 system.

2 And with that, I pass it along to Joe or James  
3 for any elaboration.

4 JOSEPH NEWTON: Yes. Excuse me. Sorry. Yeah.  
5 I'm Joe Newton. I don't have a lot to add to that. I  
6 do -- as far as independence is concerned, I mean, that's  
7 what the project is, is to be independent and come in and  
8 give a fresh look, and a fresh calculation starting from  
9 scratch, and then to bring that back to the Board or this  
10 committee with those findings.

11 Now, it's very important that whatever is brought  
12 forward is correct, right? And so it's not the first time  
13 pass-through if we're not in the same -- you know, if the  
14 first pass-through, if we're not having the exact same  
15 answer as your current actuary, that's not the time to  
16 start letting everybody know. You know, there needs to be  
17 a lot of dialogue. We've got to confirm and double  
18 confirm, before we would cross that bridge.

19 But as Mita said, and I would say in my career as  
20 well, we've had many instances where that independence has  
21 been tested, and we've always -- well, the -- we work for  
22 the Board, we have to -- we have to disclose this and try  
23 to make this better down the road. And I would say in  
24 most cases, even the actuary that's being audited wants  
25 that too, because if there's an issue, the sooner it's

1 found, the smaller it is. The way these compound with  
2 interest and things, the longer it goes, the worse it  
3 gets. So, in general, even the audit really it's  
4 better -- it's in their best interests to have it found  
5 quicker too.

6 And I apologize for my voice. Yesterday morning,  
7 I was really sure I wasn't going to be able to do it. I  
8 would just sit here and just look at you, but my voice is  
9 coming back, so...

10 CHAIR COHEN: No worries. No problem.

11 Next question is from David Miller.

12 VICE CHAIR MILLER: Please describe your firm's  
13 theory and methodology used in recommending an appropriate  
14 actuarial cost method for a public pension fund and  
15 discuss how your firm will ensure your staff is up to date  
16 with regulatory requirements and actuarial standards of  
17 practice?

18 JOSEPH NEWTON: Sure. So, I mean, choosing a  
19 cost method, it's really -- you should have a very similar  
20 approach to all the decisions you're going to make. And  
21 those -- that approach should start with your goal or your  
22 purpose. And so if you're trying to maximize and ensure  
23 the financial stability of CalPERS, and provide retirement  
24 security to your members, well then, that's what you start  
25 from and everything else should be pointing at that goal.

1           And so as far as funding method is concerned,  
2   that is an answer that I would say the actuarial community  
3   at large has answered a entry age normal is the answer to  
4   provide that more stability and that retirement security  
5   to your membership, because it does the best job of  
6   allocating those costs evenly throughout a person's career  
7   and then beyond that evenly throughout the lifetime of the  
8   given employer.

9           That way when the employer is making  
10   contributions that services are being provided, the  
11   contributions go in at the same time to pay for that, no  
12   future contributions are then needed to have -- to pay for  
13   that past service. It's already paid for in a level way  
14   across that person's career.

15           So, that's the approach we would take as to what  
16   is -- for any decision, what's the investment return  
17   assumption, what's the best mortality assumption. You  
18   know, how does this maximize the best outcome for the  
19   purpose, which is to provide the most security to the  
20   membership and the best administrative, you know, process  
21   for the Board.

22           MITA DRAZILLOV: And let me expand on that -- to  
23   expand on Joe's point. It really does depend upon the  
24   purpose of the measurement. So, for example, in  
25   determining employer contribution rates, understanding is

1 that the CalPERS Actuarial Office uses the entry age  
2 normal actuarial cost method. And by far, that is the  
3 most common actuarial cost method used across the nation  
4 and appropriately so. Why is it appropriately so?  
5 Because one of the fundamental financial objectives of any  
6 public employee retirement system across the country is to  
7 charge each generation of taxpayers the same level  
8 percentage of payroll, such that for an individual that  
9 enters CalPERS and then retires from CalPERS 30 or 40  
10 years later, or whatever the case may be, that that  
11 determined contribution, if all assumptions are met, all  
12 of the assets would be there for that individual to  
13 receive all their retirement benefits during their  
14 retirement years, and that each generation of taxpayers  
15 paid an appropriate contribution rate, given the service  
16 that they received from that public employee retirement  
17 service.

18 Now, if it's a different objective, for example,  
19 a termination liability or a withdrawal liability, then it  
20 might be that the entry age normal cost actuarial cost  
21 method is not the appropriate one and I think we're  
22 familiar with, in those circumstances, CalPERS would use a  
23 different actuarial cost method in those circumstances.  
24 But for the vast majority of their calculations in  
25 determining appropriate computed employer contribution

1 rates, they use the entry age normal actuarial cost  
2 method.

3 CHAIR COHEN: All right. Thank you. We'll move  
4 on to the next question. Frank Ruffino.

5 ACTING COMMITTEE MEMBER RUFFINO: Thank you,  
6 Madam Chair.

7 So please describe your quality control processes  
8 for actuarial audit reports and recommendations, and how  
9 are these services monitored and reviewed?

10 MITA DRAZILOV: Excellent question. So, for both  
11 our actuarial audit process, as well as our actuarial  
12 valuation process, we have a four-stage review process.  
13 We have an individual that does basically the number  
14 checking role that determines the results. We then have a  
15 second individual check those calculations. Generally,  
16 they're on the more inexperienced side of the actuarial  
17 staff. Then we have a third level of review, and that is  
18 basically the review of the calculations done below them.

19 For fourth stage is what we call the peer review  
20 process, where the individual that basically is ultimately  
21 responsible for the project, and for CalPERS, that would  
22 be myself, the principal actuary. I would be ultimately  
23 responsible for that and I would be the final peer review  
24 individual in that instance.

25 Joe Newton, who would be the support actuary,

1 would be the review actuary. And the four individuals you  
2 see on your screen there, they would be the doers and  
3 checkers. Now, I will say that the doers and checkers and  
4 the actuarial support that we're with our proposed team,  
5 these are very highly qualified individuals. These aren't  
6 individual with two or three years of experience. These  
7 are individuals with 10 to 15 years of experience,  
8 experience in performing valuations very similar, not in  
9 size to CalPERS, but in complexity, for example,  
10 retirement systems with over a hundred billion dollars,  
11 retirement systems with over \$200 billion.

12 So these aren't, what I'm going to say, green  
13 individuals, because we thought it was important to bring  
14 in the best qualified staff, given the complexities of the  
15 CalPERS replication process.

16 Myself and Joe, and you'll hear this a little bit  
17 later, we have extensive statewide consulting  
18 relationships. We're the lead actuaries on some very  
19 large statewide retirement systems. And so we feel very  
20 comfortable in the role of being both a review actuary as  
21 well as the peer review actuary for the actuarial audit  
22 process, if that answers your question.

23 JAMES SPARKS: Just to add to that a little bit.  
24 So myself is James Sparks. I'm one of the actuarial  
25 support members that you see on the screen there. The



1 other colleagues will be Thomas Lyle, Derek Henning, and  
2 Karli Fehrman. And as Mita alluded to, three out of the  
3 four of us have more than 10 years of actuarial consulting  
4 experience. All of us are credentialed actuaries. All of  
5 us have exposure to statewide pension systems. And so we  
6 are very familiar with the complexities of these systems.

7         Myself, I actually worked on the audit that we  
8 did for your experience study back in 2021 on the 2019  
9 experience study. So I individually am very familiar with  
10 the assumptions that you guys use in all of your  
11 valuations already. And that will I think allow us to hit  
12 the ground running with this project as well.

13         CHAIR COHEN: All right. Thank you. I just want  
14 to -- as a reminder, we've got about 12 minutes. We have  
15 a total of eight questions that we need to get through,  
16 and we are only on number four.

17         So next, we'll hear from Jose Luis Pacheco.

18         COMMITTEE MEMBER PACHECO: Thank you.

19         Please explain how your firm would reconcile  
20 differences between CalPERS's calculations of normal cost,  
21 liabilities, or present value of benefits, and your own  
22 calculations of those, if the differences were larger than  
23 five percent?

24         JOSEPH NEWTON: Yeah. So this is very common,  
25 especially for an audit process, that when you start out,

1 the first pass through, the auditor could be a little  
2 further off than what you want to be by the time the  
3 project is complete. And usually, the best way -- the  
4 most efficient approach would be for us, the auditor, to  
5 actually send a detailed calculation right out of our  
6 system back to the CalPERS staff, and ask them to tell us  
7 what we got wrong, because the presumption should be, I  
8 think, you know, the people that have been doing it year,  
9 after year, after year and see that data year, after year,  
10 after year, very likely have done it correctly. Those of  
11 us that just put it on their yesterday are probably the  
12 ones that don't have it right. That's where we should  
13 start from.

14 So we send it to them. They usually can very  
15 quickly, because they have experience with it, point out  
16 what's -- where we're off and what needs to change.

17 Now, if you get to the point though that it's --  
18 we have reconciled it and so both sides do agree that,  
19 yes, this is the thing that does need to change in CalPERS  
20 valuation system, that would be in our report, and fully  
21 disclosed to the committee and the Board. And then  
22 ultimately, what we would actually want is CalPERS staff's  
23 acknowledgement of that and what their plan is to, you  
24 know, remedy that going forward.

25 But it's going to be communication and

1 collaboration, but again, the first step is let's make  
2 sure we're right, and confirm, and double confirm before  
3 we expect a mistake, so...

4           MITA DRAZILOV: And just to expand a little bit.  
5 If -- it might not be that initially CalPERS's  
6 calculations are wrong. It might be ours. So we would  
7 have no hesitancy so say, okay, we can't reconcile yet.  
8 CalPERS, take a look at our Calculations to ensure we're  
9 understanding the benefit provisions correctly. And it  
10 might be not that CalPERS isn't the one that's in error,  
11 at least initially we are the one in error, just because  
12 we're misinterpreting a benefit provision and/or an  
13 assumption as how it's used.

14           So we were trying to reconcile, as best we could.  
15 If at the end of the day, we agree to disagree that we get  
16 different results, it is our duty to then report that to  
17 the Board.

18           CHAIR COHEN: Thank you.

19           Kevin Palkki.

20           COMMITTEE MEMBER PALKKI: Thank you, Madam Chair.  
21 How does your experience having worked with or not worked  
22 with CalPERS in the past provide a competitive advantage,  
23 how would you leverage this competitive advantage to our  
24 benefit, and describe potential challenges and how you  
25 would overcome them?

1           JOSEPH NEWTON: Well, I think we're actually  
2 uniquely positioned for this answer specifically. We have  
3 worked with CalPERS in the past. We've done the  
4 experience study audit a couple of times. I did myself  
5 back in about 2011. James, in a different group, did that  
6 in 2020. We've worked with the group years ago in  
7 actually creating some of our valuation systems, some of  
8 your processes. So we're very familiar with CalPERS, but  
9 we have not done this project the last couple of cycles.

10           So at this level of detail, this level approach,  
11 we'll be having fresh eyes and fresh look of it, so you'll  
12 be able to get that independence and fresh look from that  
13 side. But because of our prior experience, especially  
14 across the team, it's not going to take us very long to be  
15 up and running and understanding exactly what the issues  
16 are, what's different about this benefit provision here  
17 versus somewhere else, and those kinds of issues.

18           So we have both. We have past familiarity with  
19 CalPERS, but at the same time, we haven't done this  
20 specific review, so you'll get a full fresh set of eyes on  
21 that.

22           JAMES SPARKS: A new actually coming in, there is  
23 a challenge of being able to do a valuation fresh, but  
24 that challenge I think is the greatest benefit to CalPERS,  
25 is that you're going to -- we're going to have to

1 challenge ourselves to figure out what is every little  
2 detail of benefit provision, what is every assumption,  
3 what are all of the things that could be, you know,  
4 changing from the past to now that we have to take into  
5 account when we do the valuations. And that's what gets  
6 that really level of detail to be able to potentially find  
7 something if there were to be an error. And I think it's  
8 really important to have those fresh eyes look at it every  
9 now and then.

10 And to that -- I've done the experience study  
11 review. I think doing the parallel valuation would have  
12 another valuable insight, in that it almost becomes a  
13 follow-up to that, to see how those new assumptions got  
14 implemented now, and then understand that you're in a new  
15 experience study process again, so we could see how those  
16 recommendations fleshed out as well.

17 MITA DRAZILOV: And just add one more point. Joe  
18 and myself have performed numerous actuarial audits, not  
19 of CalPERS, but of many large statewide retirement systems  
20 across the country. We are very familiar with benefit  
21 structures of CalPERS, meaning that we both work on  
22 retirement systems that do public agency type valuations,  
23 meaning individual valuation reports for a thousand to  
24 800 -- 1,800 different valuation rate groups. We do  
25 valuations for State and school statewide retirement

1 systems, as well as judicial systems, and legislative  
2 retirement systems.

3 So the benefits and structures are very familiar  
4 with both of us, and so we'd feel very comfortable, given  
5 our audit experience, given our current consulting  
6 experience to fully jump into this project with full  
7 confidence that it would be very achievable for us to do.

8 CHAIR COHEN: Question six, Ramon Rubalcava.

9 COMMITTEE MEMBER RUBALCAVA: Thank you, Madam  
10 Chair. This is an opportunity to expand on your last  
11 response. What is the principal actuary's experience with  
12 State pension plans, and please describe your experience  
13 auditing pension plans, including length of time and size  
14 of plans?

15 MITA DRAZILOV: Thank you for the question.

16 Let me answer the first question first. So my  
17 current consulting arrangements with large statewide  
18 employee retirement systems, one is the Ohio -- I am the  
19 signing actuary for the Ohio Public Employee Retirement  
20 System, which is roughly about 100 billion plus in assets.  
21 I am the retirement -- the signing actuary for the State  
22 of Michigan Retirement System, the Michigan Public School  
23 Retirement System, Michigan State Employees' Retirement  
24 System, Michigan State Police and Michigan Judicial. I am  
25 the signing actuary for the Arkansas Public Employee

1 Retirement System, State Police Retirement System, and the  
2 Judicial Retirement System.

3 I'm also the signing actuary for the Missouri  
4 Local Government Employees' Retirement System, which has a  
5 similar type benefit structure to your public agency  
6 valuations, where we do valuations for approximately 1,200  
7 different employers that participate in Missouri LGERS,  
8 and they each get their own individual report, as well as  
9 their each individual contribution rate.

10 With respect to actuarial audits, I've had  
11 numerous audit experiences. I've audited the Iowa Public  
12 Employee Retirement Systems a couple of times. I've  
13 audited the Mississippi Public Employee Retirement System  
14 a couple of times. I've participated in the New York  
15 City's Retirement System audit. As James mentioned,  
16 earlier, I also participated in the CalPERS experience  
17 study audit within the last two or three years.

18 CHAIR COHEN: All right. Thank you.

19 Next question, question number seven comes from  
20 Mullissa Willette.

21 COMMITTEE MEMBER WILLETTE: Thank you, Madam  
22 Controller. My question is how engaged will the principal  
23 actuary be with the work on our plan and will the key  
24 people in the proposed contract be assigned to CalPERS for  
25 the life of the contract?

1           MITA DRAZILOV: The answer to both of the  
2 questions is yes and yes.

3           So my responsibility for -- go back here, if you  
4 don't mind. The -- given my role as principal actuary,  
5 it's very important to me to ensure that, basically, I am  
6 the one in charge to ensure that everything gets done. I  
7 will be the project manager. I will be the final peer  
8 review. I will be the main contact with the CalPERS  
9 Employees' Retirement System. If there are meetings  
10 required, either weekly, or bi-weekly, or whatever the  
11 case may be, I would be the individual that would  
12 participate in that capacity.

13           Now, I don't want to diminish the role of Joe, as  
14 support actuary. Joe is still going to be heavily  
15 involved. I will be ultimately responsible for the  
16 project. Now, I think Joe and I are in a very unique  
17 situation, that if Joe was number one and I was number  
18 two, you would be getting almost the exact same excellent  
19 service.

20           I mean, Joe and I are two of the preeminent  
21 public sector retirement actuaries across the country with  
22 many of the very largest statewide retirement systems that  
23 do not have an actuarial -- in-house actuarial staff. So  
24 even though I would be a principal actuary and to fulfill  
25 those duties, I don't want to diminish the role of Joe as



1 a support actuary as well. And if I needed a,  
2 quote/unquote, for Star Trek fans, number two, he would be  
3 the one that I would definitely choose.

4 CHAIR COHEN: Okay. Sounds good. This is the  
5 last question. I'll be posing it. Please describe your  
6 firm's culture and values. What aspects of your firm's  
7 culture and values align with the CalPERS culture and  
8 values?

9 MITA DRAZILOV: That is a excellent question and  
10 I'm glad it's asked, because sometimes I actually have to  
11 remind myself, given our firm, what our cultures and  
12 values are. So I actually wrote down some values for GRS.  
13 And some values for GRS are professionalism, commitment,  
14 education, and almost most importantly, respect. I looked  
15 at CalPERS's core values, which are quality, respect,  
16 accountability, integrity, openness, and balance. And I  
17 see a pretty good overlap between the values of CalPERS  
18 and the values of GRS.

19 GRS sometimes we think of as a family type  
20 operation, given the number our employees, how close  
21 relationships we have with each other. So I think in  
22 those -- that respect, the cultures of CalPERS and GRS  
23 intertwine.

24 One of the additional things that we try and do  
25 is diversity, equity, and inclusion. And GRS has an

1 annual investment goal for DEI initiatives. We have an  
2 annual goal for the promotion of historically  
3 disadvantaged groups. We have a goal to engage and expand  
4 utilization of historically disadvantaged companies.

5 CHAIR COHEN: Have you every met or exceeded that  
6 goal?

7 MITA DRAZILOV: We have -- we have measured those  
8 goals.

9 CHAIR COHEN: Yeah, but have you met them?

10 MITA DRAZILOV: Well, we have goals, the goals  
11 that I've just mentioned, didn't really have any metrics  
12 associated with them, but what I would like to convey, if  
13 I may, what we think we've achieved with respect to those  
14 generic goals in the last -- in the last -- as of December  
15 31st of 2023.

16 So, for example, women in leadership roles at GRS  
17 include our President, our CoFo and our Vice President.  
18 Promotions in the last five years, 26 were female, and  
19 seven were minorities. Credentialed actuaries, 39 percent  
20 are women, and that's somewhat uncommon in a very male  
21 dominated actuarial field, and 11 percent are minorities.

22 Consultants are 37 percent women, six percent  
23 minority. Hires in the last five years, five minorities,  
24 and six women. And we also actually have external DEI  
25 initiatives. We try and do interaction with seven

1 subcontractor arrangements to fulfill either WBE, MBE,  
2 SBE, VBE, or DVBE client requirements, including our  
3 submission of the proposal for CalPERS.

4 One of the things we're particularly proud of is  
5 two outgoing mentoring programs, for programs assisting  
6 economically disadvantaged students. We have one in the  
7 Detroit area, where we bring in high school students from  
8 a high school -- disadvantaged high school in Detroit, get  
9 them prepared for the corporate workforce. For those that  
10 have math aptitude, give them projects to see what the  
11 actuarial profession is like, and to get them better  
12 prepared for post-graduate work.

13 We also did something similar with the Milwaukee  
14 public school system that we're very proud of.

15 CHAIR COHEN: All right. Thank you.

16 We've got two minutes 40 seconds. Colleagues, do  
17 you have any follow-up questions?

18 Anything?

19 All right, Ramón Rubalcava.

20 COMMITTEE MEMBER RUBALCAVA: Yes. I noticed on  
21 one of the questions, it was a two-part question, and --  
22 oh yeah, that was question number two about how would your  
23 firm -- how would your firm ensure that your staff is up  
24 to date on regulatory requirements and actuarial standards  
25 of practice? I'm not sure you answered that part. Could

1 you focus more on the first part?

2 MITA DRAZILOV: Well, I'll start and maybe Joe or  
3 James can --

4 CHAIR COHEN: Two minutes.

5 MITA DRAZILOV: Two minutes. Thank you, ma'am.

6 So, with respect to benefit provisions or  
7 regulatory requirements, we are constantly updating our  
8 actuary valuation software to reflect any updates that are  
9 required for the clients that we serve.

10 There is -- I can't think of any benefit  
11 provision that our valuation system cannot value, any  
12 public employee retirement system provision. I am  
13 completely confident that I have seen other actuarial  
14 valuation systems that say they can, but they specialize  
15 not in the public sector arena. They specialize either in  
16 the private sector arena or some other capacity, and it's  
17 a sort of an off-the-shelf software. They will try and do  
18 their best to model very complex actuarial valuation  
19 provisions for public employee retirement systems. At the  
20 end of the day, from everybody I've spoken to says they  
21 can't do it, and then we either estimate a technique or do  
22 a load, where, for us, we feel like we have the ability to  
23 model it almost completely accurately.

24 Let me ask if Joe can expand on that.

25 CHAIR COHEN: I'm sorry, Joe, if you can do it in

1 30 seconds.

2 JOSEPH NEWTON: Yep, I can.

3 CHAIR COHEN: All right.

4 JOSEPH NEWTON: So it starts at -- I think one of  
5 the slides we had earlier about the community involvement,  
6 the actuarial community and the regulations, we actually  
7 have -- we're the -- actually has people on those  
8 committees that's making the regulations, making the stand  
9 standards of practice. So, it's not a situation where  
10 we're learning what those should be. Our position, as the  
11 leader, and that's one of the things I wanted to talk --  
12 we have five seconds -- there's 72 plans in the country  
13 that I would consider peers to CalPERS. Now, they're not  
14 peers completely, but other statewide complex systems with  
15 multiple agencies, large cities, that kind of thing. GRS  
16 is the actuary for 42 of those 72.

17 So when we say that we have the largest market  
18 share, it's actually over 50 percent. And so what is  
19 going on in the country, we're going to have seen it and  
20 be able to bring it here, not only from a regulatory  
21 environment and standards of practice environment, but a  
22 communications standpoint and what's best practices there  
23 as well

24 CHAIR COHEN: Thank you very much, Mr. Newton and  
25 GRS. Thank you for your presentation. We are out of

1 time. Ladies and gentlemen, we are going to take a  
2 45-minute lunch break. We will reconvene at 12:35. Thank  
3 you.

4 JOSEPH NEWTON: Thank you.

5 MITA DRAZILOV: Thank you very much for the  
6 opportunity.

7 CHAIR COHEN: Yeah. Thank you.

8 (Off record: 11:50 a.m.)

9 (Thereupon a lunch break was taken.)

AFTERNOON SESSION

(On record: 12:35 p.m.)

CHAIR COHEN: Good afternoon. I'd like to call this meeting back into session. It's 12:35.

I am waiting for the camera to come on, is that what I'm waiting on?

BOARD CLERK ANDERSON: No.

CHAIR COHEN: No. Okay. Thank you.

All right, ladies and gentlemen. Good afternoon. It's 12:35. We're going to reconvene our meeting. We are going to now call up our next company, Milliman.

At this time, I'd like the staff --

VICE CHAIR MILLER: It's Gallagher.

CHAIR COHEN: Excuse me?

VICE CHAIR MILLER: It's Gallagher.

CHAIR COHEN: It's Gallagher. All right. Thank you. All right. Staff, please invite the Gallagher business services folks to the podium. Thank you very much. Just as a reminder, you'll have five minutes to begin your presentation. This is just the introduction. There will be 25 minutes after that and a five minute allotment where you can begin answering our questions. We have eight questions prepared for you. Please be mindful and manage your time appropriately.

All right. With that said, you can begin with

1 the first five minute portion of the introduction.

2 Thank you.

3 (Slide presentation).

4 VICE CHAIR MILLER: There you go.

5 Oh, you had it. One more time.

6 There you go.

7 DAVID DRISCOLL: Okay. Thank you. Thank you  
8 very much for inviting us to make a presentation in  
9 support of our proposal to provide parallel actuarial  
10 valuation and certification services. Gallagher has had  
11 the privilege of doing business with CalPERS now for a  
12 number of years, and we very much appreciate the  
13 opportunity to continue what we think has been a very  
14 mutually beneficial arrangement.

15 By way of introduction, I am David Driscoll. I  
16 am a Fellow of the Society of Actuaries with many years of  
17 experience in the actuarial business. I am a Principal  
18 and the National Public Sector Consulting Leader at  
19 Gallagher. And I'll allow my colleague Elizabeth Wiley to  
20 introduce herself now.

21 ELIZABETH WILEY: My name is Elizabeth Wiley and  
22 I would serve as your support actuary. I am a Fellow of  
23 the Society of Actuaries, Enrolled Actuary, member of the  
24 American Academy of Actuaries, and a fellow of the  
25 Conference of Consulting Actuaries. I have over 13 years



1 of experience in the actuarial field and I work in the  
2 public sector retirement practice for Gallagher.

3 And I'll pass it over to Brett.

4 BRETT HUNTER: Everyone, my name is Brett Hunter.  
5 I'm an associate of the Society of Actuaries and I'm  
6 enrolled actuary. I've been with Gallagher since 2015.  
7 And since that time have been heavily involved with the  
8 CalPERS projects since I started, and pleased to be  
9 speaking with you today.

10 ELIZABETH WILEY: All right. And with that, we  
11 will go over to the meet your team slide.

12 [SLIDE CHANGE]

13 ELIZABETH WILEY: We will talk about our robust  
14 team of support and services that we have to handle the  
15 parallel valuation services for CalPERS. Our structure  
16 includes at the top, Tonya Manning as executive sponsor,  
17 who is responsible for making sure you're satisfied with  
18 our services. The account and overall project is going to  
19 be handled by Misty Lam there in blue with the support of  
20 the Disabled Veteran Business Enterprise. In the middle,  
21 we have our core consultant group responsible for  
22 replication services led principally by David and myself,  
23 as well as with support from Jon Dobbs and Brett Hunter,  
24 as our technical experts. We'll be responsible for  
25 communicating with you throughout the projects and we'll

1 be in the weeds of the replication. We'll be reviewing in  
2 detail our results and any finding -- findings,  
3 observations or refinements that we may encounter.

4 As additional support, we have a robust staff at  
5 our Global Valuation Center, the GVC, which houses our  
6 data processing and valuation staff that uses standardized  
7 processes to help enhance efficiency, quality and  
8 consistency to deliver high quality services at minimal  
9 cost. In addition, our independent peer reviewer, Kelly  
10 Adams, who views every deliverable that goes out of our  
11 public sector retirement practice. She'll ensure that our  
12 deliverables meet both actuarial and internal standards at  
13 the highest level of quality, while adding value from  
14 additional observations learned through other client and  
15 industry experience.

16 And with that, I'll pass it over to Brett.

17 [SLIDE CHANGE]

18 BRETT HUNTER: So a few of our advantages. We're  
19 highly familiar with CalPERS retirement plans and  
20 actuarial practices. Since 2015, we've gone through three  
21 rounds of this project. We're currently reviewing the  
22 experience study that CalPERS actuarial staff prepared.  
23 We have a cordial working relationship with staff, but  
24 maintain independence. And since we've handled recent  
25 replication projects, we have the infrastructure in place

1 to timely and efficiently produce replicating valuation  
2 results, which allows us more time to move into our  
3 enhanced replication process, where reconcile differences  
4 on an individual participant basis as opposed to at the  
5 plan level.

6 [SLIDE CHANGE]

7 ELIZABETH WILEY: And we've also, as you can see,  
8 added me, a credentialed actuary who is also worked on  
9 large State system public plans for a fresh set of eyes.  
10 I come in having never worked on the CalPERS system  
11 before. I have industry experience on sizable State  
12 systems, including the State of West Virginia and the  
13 North Carolina Retirement systems.

14 I also was recently in the role of a supporting  
15 actuary for actuarial audits for Colorado PERA and the  
16 West Virginia Municipal Policemen's and Firemen's Pension  
17 and Relief Funds. And I'll be able to leverage that  
18 experience to be able to offer a fresh perspective on  
19 CalPERS.

20 DAVID DRISCOLL: Additional advantages we offer.  
21 We're very active in the public sector pension industry.  
22 We're active in the three major organizations in CIPRs,  
23 NASRA, and CTR. You'll see our actuaries frequently on  
24 the podium there. We have expertise that we believe is  
25 above that, affirms that, concentrates solely in the

1 public sector, simply because by seeing both public and  
2 private sector pension issues, we believe we bring a  
3 broader perspective to things.

4 We have a peer review policy and quality control  
5 practice that is significantly stronger than that we  
6 believe of other firms in our business. We have very well  
7 defined categories of difficulty in the level of review  
8 that must be provided for each of them. We have  
9 independent peer reviewers. And we also have a dedicated  
10 financial risk management practice that can examine  
11 capital market assumptions independently. So, we're  
12 better equipped in that regard than many other firms.

13 [SLIDE CHANGE]

14 DAVID DRISCOLL: And then finally, you used to  
15 know us as Buck. We're now part of Gallagher, which is a  
16 major company with tremendous financial strength. We  
17 believe we're better positioned to serve you than ever,  
18 and we're out of time.

19 CHAIR COHEN: All right. That's perfect. Thank  
20 you very much. Okay. So as I mentioned, we have a series  
21 of eight questions already prepared for you. I'm going to  
22 raise the first one and then my colleagues are assigned  
23 the respective seven others.

24 First question. As the Board's independent  
25 consultant, how do you ensure independence, yet maintain a

1 collaborative working envir -- work relationship with the  
2 CalPERS management team?

3           DAVID DRISCOLL: Well, I think the major way that  
4 we do that is by adhering to the sense of professionalism,  
5 and in particular Actuarial Standards of Practice, and the  
6 Code of Professional Conduct that applies to actuaries.  
7 The Code of Professional Conduct requires that we be  
8 courteous and cooperate with other actuaries in the  
9 service of the principal, which in this case is the  
10 retirement system, but it also says that to the extent  
11 that we would express an opinion that differs the -- from  
12 that of the actuarial whose work we are reviewing, nothing  
13 in the Code of Conduct should be construed as stopping us  
14 from expressing a contrary point of view.

15           And indeed, at times, we have said that there are  
16 things that we would do differently when we've reviewed  
17 the work of the Actuarial Office. We never found major  
18 problems, but we certainly have made suggestions, pointed  
19 out things, and they've been very receptive to those  
20 suggestions.

21           I'll ask my colleagues if they have anything to  
22 add to that.

23           BRETT HUNTER: I would just add that since we've  
24 gone through several rounds of this, we do have a pretty  
25 solid foundation of a relationship with the Actuarial

1 Office, who we correspond with frequently.

2 DAVID DRISCOLL: I mean, we have a courteous, but  
3 I would say professionally distant relationship, so that  
4 while everybody has always treated each other on both  
5 sides with enormous respect, you know, we don't hesitate  
6 to identify problems when they're found and we do so  
7 courteously. And that's appreciated and we've again found  
8 that the consequence of that has always been receptiveness  
9 to the suggestions and recommendations we've made.

10 CHAIR COHEN: Okay. Thank you very much.

11 Next question is going to come from Mr. David  
12 Miller.

13 VICE CHAIR MILLER: Please describe your firm's  
14 theory and methodology used in recommending an appropriate  
15 actuarial cost method for a public pension fund, and  
16 discuss how your firm will ensure your staff is up to date  
17 with regulatory requirements and actuarial standards of  
18 practice.

19 DAVID DRISCOLL: All right. Well, in terms of  
20 recommending an actuarial cost method, there are a number  
21 of resources that can be relied upon. There is, for  
22 example, the nonbinding guidance of the Conference of  
23 Consulting Actuaries in their white paper concerning level  
24 of cost funding of pension systems. This was recently  
25 revised. One of our actuaries actually spent -- played a

1 key role on the panel that revised that. There are  
2 guidelines. And there again, it's nonbinding guidance,  
3 but it represents, we think, the best and highest thinking  
4 of a lot of very experienced public sector pension  
5 practitioners, and offers guidance, not only on cost  
6 methods but on all the other components of a funding  
7 policy, which is to say amortization, asset valuation, and  
8 other equally relevant aspects of determining a total  
9 funding policy.

10 In terms of staying on top of regulatory  
11 requirements, of course, State pension plans are regulated  
12 at the State and local level. Federal regulation really  
13 comes into play, not at all when it comes to funding.  
14 We're very attentive to legislative developments in the  
15 states whose pension systems we serve. I'm a member, for  
16 example, of the California Actuarial Advisory Panel. And  
17 at our periodic meetings, we regularly discuss things that  
18 are coming up in the Legislature that could affect public  
19 pension plans in the state of California.

20 With respect to Actuarial Standards of Practice,  
21 I mean, I and Tonya Manning have both been involved in the  
22 development of Actuarial Standards of Practice. I served  
23 for a number of years as the Chair of the Actuarial Board  
24 for Counseling and Discipline, which enforces Actuarial  
25 Standards of Practice. And we continue to engage with --

1 a number of our people continue to engage with actuarial  
2 organizations at a level that determines what standards of  
3 practice a likely to be like in the future.

4 CHAIR COHEN: All right. Next question is going  
5 to come from Frank Ruffino.

6 ACTING COMMITTEE MEMBER RUFFINO: Good afternoon  
7 and thank you, Madam Chair. Please describe your quality  
8 control processes for actuarial audit reports and  
9 recommendations, and how are these services monitored and  
10 reviewed?

11 DAVID DRISCOLL: Okay. I'm going to describe  
12 them at a high level and I'll ask my colleagues to chime  
13 in with details that would be helpful that I haven't  
14 thought.

15 But the review process is -- for an actuarial  
16 audit is that we perform the audit. And then it is sent  
17 to our specialized peer reviewer, Kelly Adams, who was  
18 identified in your -- in the organizational chart in our  
19 presentation. She's a very experienced public sector  
20 actuary. And she reviews it and turns it back to us  
21 for -- to address any comments or criticisms that she may  
22 have.

23 And then, we jointly agree on what is  
24 appropriate. And the report is then sent out in final  
25 form once the reviewer and the people who have generated



1 the report are all satisfied that all issues have been  
2 properly addressed. Brett or Beth, do you have anything  
3 to add?

4 BRETT HUNTER: I would just add that the  
5 organization chart that we looked at on slide two noted  
6 both myself and Jon Dobbs as technical support. Under us  
7 is a pretty robust team of relatively newer actuaries who  
8 are going to work on this audit project under the  
9 direction of me and Jon. We pass it along to Beth and  
10 David to do an internal review as well, even before it  
11 gets to our independent peer reviewer under central  
12 review.

13 So there's a lot of layers of review that go  
14 through this analysis that we prepare.

15 ELIZABETH WILEY: I'll also mention that we meet  
16 monthly as a public sector retirement practice to discuss  
17 what is going on, in -- amongst our clients and what we  
18 are seeing in the current environment. And we also have  
19 the opportunity to bounce ideas off of one another in that  
20 respect as well, if we come across anything unusual, or if  
21 there is a thought or observation we had with an actuarial  
22 audit that we think would benefit from a larger audience.

23 CHAIR COHEN: All right. Thank you very much.  
24 Next question comes from Jose Luis Pacheco.

25 COMMITTEE MEMBER PACHECO: Yes. Thank you, Madam

1 Chair. Please explain how your firm reconciles  
2 differences between CalPERS calculations of normal costs,  
3 liabilities, or present value of benefits and your  
4 calculation of those, if the difference were larger than  
5 five percent.

6 DAVID DRISCOLL: Okay. We've had experience  
7 doing that actually, so we can speak to that. We run  
8 liabilities at -- using data provided to us by CalPERS.  
9 And on a first pass, we can see if we have any differences  
10 than exceed five percent. And if we do, we can  
11 investigate the reasons for that. And as we, I think,  
12 have demonstrated on a number of occasions, we are very  
13 successful in pinning down what those differences are. In  
14 some cases, it is a result of differences in the modeling  
15 processes that are reflected in the software. So it's not  
16 so much that one is right or the other is wrong. It's  
17 just that we model some particular aspect of the  
18 projection of somebody's pension benefits in a slightly  
19 different way.

20 In other cases, it turns out that one of us has  
21 made a mistake, either, you know, we've not applied some  
22 actuarial assumption in the right way or the actuarial  
23 assumption that's actually used in the valuation has  
24 turned out to be different from what is named in the  
25 valuation report. We identify all these sources of

1 differences and they are all reflected, of course, in our  
2 final report.

3 I should add that one aspect of our practice in  
4 reconciling differences or even non-differences between  
5 your results of CalPERS or any other audit client and the  
6 results we arrive at is we look at things at the level of  
7 individual participants, assuming we can get results from  
8 the client, in which -- in this case, you or CalPERS,  
9 at -- on an individual basis as well, because, you know,  
10 we don't want to be in a position where we match in the  
11 aggregate, but have significant differences for  
12 subpopulations within the group. We feel that this extra  
13 bit of attention to detail is worthwhile, so that we don't  
14 ignore differences that might be important at a  
15 subpopulation level that could emerge and become larger  
16 over time.

17 Brett or Beth, anything?

18 BRETT HUNTER: I would just add that when we do  
19 the comparison on an individual basis, it gives us a clear  
20 direction on which individuals we should request  
21 additional details of the calculation for. So generally,  
22 after we compare the results for individual participants,  
23 we'll reach back out to CalPERS staff and ask for sample  
24 life details with all the characteristics of how they  
25 performed that calculation for that individual, and that

1 helps us drill down on why we might be off for that  
2 particular person.

3 ELIZABETH WILEY: I've also seen the case where  
4 in a normal cost calculation has had certain requirements  
5 actually that have been voted upon, that may not be  
6 anticipated under normal actuarial circumstances, so we  
7 also ask those kinds of questions as well.

8 CHAIR COHEN: All right. Next question comes  
9 from Kevin Palkki.

10 COMMITTEE MEMBER PALKKI: Thank you, Madam Chair.  
11 How does your experience having worked with or not worked  
12 with CalPERS in the past provide a competitive advantage,  
13 how would you leverage this competitive advantage to our  
14 benefit, and describe potential challenges and how you  
15 would overcome them?

16 DAVID DRISCOLL: Okay. Well, as noted before, we  
17 have worked with CalPERS before. And, you know, we've  
18 always found that we had a very excellent working  
19 relationship with the people whose work we were examining.  
20 Because we've been through your plans in great detail and  
21 through your actuarial processes in great detail, we  
22 figure we know them well. We figure that this allows us  
23 to bring a certain level of efficiency to the process,  
24 that people without such experience would be unable to  
25 offer. At the same time, we're mindful of the fact that

1 we don't want people to do this work on auto pilot, you  
2 know, thinking, well, yeah, it looked good the last time  
3 we did this, so it must be good now.

4           So we deliberately mix up the team. As we noted  
5 earlier, we're adding Beth as a new member, somebody with  
6 a lot of experience with large public retirement systems  
7 who won't take anything for granted. So, you know, we  
8 offer I think the best of both worlds, a refreshed  
9 perspective, but with the efficiency that comes with a  
10 deep knowledge of the plans and the actuarial processes  
11 that are here at CalPERS.

12           You know, we go to great lengths to make sure  
13 that we're not blessing anything that shouldn't be  
14 blessed. As we noted earlier, we dissect the differences  
15 between the results that we obtain and the results that  
16 CalPERS actuaries obtain in great detail, and we're able  
17 to account just about exhaustively for all of those  
18 differences, and I think that's reflected in the reports  
19 that we've submitted under earlier engagements for  
20 parallel valuation and certification services.

21           Beth or Brett.

22           BRETT HUNTER: Nothing to add.

23           ELIZABETH WILEY: Nothing to add.

24           COMMITTEE MEMBER PALKKI: Thank you.

25           CHAIR COHEN: Thank you.

1           Next speaker is going to be Ramón Rubalcava.

2           COMMITTEE MEMBER RUBALCAVA: Thank you, Madam  
3 Chair. What is the principal actuary's experience with  
4 State pension plans, and describe the experience auditing  
5 pension plans, including length of time and size of plans.

6           DAVID DRISCOLL: Okay. Well, I'll start with  
7 myself. I'll let my colleagues speak for themselves and  
8 for those they work with. I have been in the actuarial  
9 business for a long time, and I have worked with public  
10 plans for over 35 years. Since approximately, I would  
11 say, 2005, I've worked exclusively with public plans, I've  
12 worked with large State retirement systems, large  
13 municipal retirement systems, large public transit  
14 retirement systems, almost exclusively for those last 20  
15 years, and -- you know, and considered right now to be, I  
16 think, exclusively specialized by way of expertise and  
17 experience in the servicing of large public retirement  
18 systems.

19           I mean presently, we serve -- you know, I serve  
20 five plans that I can think of with assets in excess of a  
21 billion dollars. You know, a couple of them have assets  
22 that are in excess of \$10 billion. I mean, I know Cal --  
23 nothing quite compares to CalPERS in terms of asset size,  
24 but the size and complexity of these systems mirrors that  
25 of CalPERS and its constituent system. So we feel, you

1 know, well qualified to take on this work on that basis.  
2 Beth and Brett.

3 ELIZABETH WILEY: Yes. I've been working with  
4 Gallagher for the past four years and I was hired  
5 exclusively to work in the public sector, so all of my  
6 clients are in the public sector. I have multiple  
7 statewide systems that I work on with billions of dollars  
8 in assets. I also have the privilege of working on a  
9 couple plans, that while they are not statewide systems,  
10 are quite large and similar in size and in nature to large  
11 statewide systems that have a high degree of complexity.

12 BRETT HUNTER: And I would just add that I  
13 mentioned earlier that I've been working on the CalPERS  
14 replication project since 2015, so I have a depth of  
15 experience there. I'm a support actuary for another  
16 statewide pension system, and then work in a technical  
17 support role for a few other statewide systems in  
18 relatively large cities.

19 COMMITTEE MEMBER RUBALCAVA: Thank you.

20 CHAIR COHEN: Okay. Next question comes from  
21 Mullissa Willette.

22 COMMITTEE MEMBER WILLETTE: Thank you,  
23 Controller. My question is how engaged will the principal  
24 actuary be with the work on our plan, and will the key  
25 people in the proposed contract be assigned to CalPERS for

1 the life of the contract?

2 DAVID DRISCOLL: Well, I have always been pretty  
3 engaged with this work obviously. We have layers of  
4 staffing within our firm, and so we appropriately delegate  
5 work on things like data and foundational levels of  
6 programming to people who are at a stage of their career  
7 where that work is appropriate for them. As they do their  
8 work and they encounter complex issues, whether with  
9 respect to programming a difficult benefit provision, or  
10 reflecting actuarial assumptions appropriately, or in the  
11 reconciliation of differences, they would take that up to  
12 me. And, of course, I am the person who signs the reports  
13 that have been prepared in the parallel valuation and  
14 certification engagements in the past. And I ultimately  
15 take full responsibility for everything that is said in  
16 them.

17 So I'm engaged at a high level. And finally, of  
18 course, I'm the guy who comes before you at the end of  
19 each of the tasks that are specified under these  
20 engagements to present results to the Risk and Audit  
21 Committee. So I think I'm pretty fully engaged in the  
22 process of fulfilling a parallel valuation and  
23 certification engagement.

24 Beth or Brett, any comments?

25 ELIZABETH WILEY: No.



1           BRETT HUNTER: No.

2           CHAIR COHEN: All right. Thank you. We've got  
3 eight minutes and we are on the last question. With the  
4 left-over time, we will just open it up and have some  
5 other questions that may be on the people's -- people's --  
6 top of people's mind.

7           Last question is please describe your firm's  
8 culture and values. What aspects of your firm culture and  
9 values align with the CalPERS culture and value.

10          DAVID DRISCOLL: Well, I think there are a couple  
11 of things that come to mind. First of all, commitment to  
12 the public sector we feel is a primary part of our firm's  
13 values. We've never -- I mean, we were founded as Buck in  
14 1916. Buck's first actuarial client in that long ago year  
15 was the City of New York. But, throughout its independent  
16 history, always served public plans, was always noted as a  
17 major provider of services to public retirement systems.

18          Now, that we're part of Gallagher, that  
19 commitment continues, and indeed I would say that  
20 Gallagher has been more than supportive of our efforts to  
21 remain and grow in the public sector, and to provide  
22 notably high level of service and maintain a prominence in  
23 the provision of services in the public sector.

24          The other thing that I think comes to mind is a  
25 commitment to diversity, equity, and inclusion. A lot of

1 firms in the recent past have backed away from that, as  
2 it's become less fashionable to maintain such commitments,  
3 at least publicly. That is not the case at Gallagher.  
4 Gallagher still has a diversity, equity, and inclusion  
5 page on its website, in which it emphasizes, you know, not  
6 just the moral value really of doing that, but the  
7 business advantage of doing that, because by bringing  
8 diverse points of view to our clients, we think we're  
9 serving them better than if we do not bring diverse points  
10 of view to them.

11 Additionally, of course, as a major employer of  
12 professional services in a lot of different service lines,  
13 you know, we have an opportunity to reach out and help  
14 people who might come from marginalized populations, who  
15 wouldn't otherwise think or consider a career in these  
16 various professions to do so. And we've been very  
17 supportive, for example, in outreach to minority groups  
18 whose members might not think in terms of an actuarial  
19 career.

20 Our Chief Actuary and wealth practice leader  
21 Tonya Manning regularly participates in outreach to  
22 communities that in the past have not been well  
23 represented in the actuarial profession. If you look at  
24 her social media page, it looks as though she spends an  
25 awful lot of time doing that. And we're still very

1 supportive of recognition of the unique challenges faced  
2 by people from marginalized populations in trying to  
3 thrive and survive in a professional workplace.

4 Beth or Brett.

5 ELIZABETH WILEY: I don't think I have anything  
6 to add.

7 CHAIR COHEN: All right. Thank you.

8 Colleagues, any questions? Any follow-up  
9 questions that you may have?

10 All right. Kevin Palkki.

11 COMMITTEE MEMBER PALKKI: You just mentioned  
12 reaching out to marginalized areas. Can you elaborate a  
13 little bit more, like what areas have you reached out to  
14 in terms of that?

15 DAVID DRISCOLL: Sure. In -- I mean, we see it  
16 mostly in terms of outreach to people who might not  
17 ordinarily consider an actuarial career. We're supportive  
18 of the International Association of Black Actuaries.  
19 Tonya has attended their meetings. We support efforts  
20 through the Actuarial Foundation, which is loosely  
21 affiliated with the American Academy of Actuaries, Society  
22 of Actuaries, and the other major actuarial organizations,  
23 which regularly sponsor scholarships for people who are in  
24 need of help in terms of qualifying as actuaries.

25 We are involved in recruitment of people at

1 various colleges and universities. We make an effort  
2 again to reach out to people who might not otherwise  
3 consider an actuarial career, but might actually be very  
4 good at it, it's just that, you know, nobody they know has  
5 ever been an actuary.

6 So, you know, we support this, you know, at a --  
7 at a -- at a fairly high level, and we frankly provide a  
8 decent amount of money for the purpose of supporting those  
9 kinds of efforts. I could speak in more detail to this,  
10 if I were the guy writing the checks, of course, but I'm  
11 not. But again, on our Gallagher website, there is a DEI  
12 page, where our DEI initiatives are -- and the support  
13 that we provide for them are described in more detail.

14 COMMITTEE MEMBER PALKKI: Thank you.

15 CHAIR COHEN: Jose Luis Pacheco.

16 COMMITTEE MEMBER PACHECO: Thank you, Madam  
17 Chair. My question is back to number 1, you were  
18 mentioning about independence. Can you elaborate more on  
19 your independence philosophy and how you approach that  
20 with your clients?

21 DAVID DRISCOLL: Sure. I mean, again we  
22 fundamental -- we recognize that fundamentally our job is  
23 to assess whether or not a valuation is being done  
24 properly, and to the extent that we get different results  
25 when we try to replicate it, we, you know, need to

1 identify why.

2           Now, again, we -- while recognizing that that is  
3 our objective that we need to be professional and pleasant  
4 about that. And I think I can say we almost always are.  
5 And so, while we, you know, get on well -- and this is the  
6 case, you know, not just at CalPERS, but with other  
7 entities whose actuarial work we are hired to audit, or to  
8 replicate.

9           While we get on well, you know, we recognize that  
10 our obligation is to speak up if we find a problem, and we  
11 do. And, you know, obviously, when you're auditing the  
12 work actuaries, who do a good job, the problems are  
13 generally not ones that are going to, you know, create  
14 enormous self-consciousness. But in cases where, you  
15 know, we have found significant problems, you know, we  
16 have spoken up and we always do, because again, while we  
17 think we have an obligation to be, you know, kind and  
18 polite, an friendly, and responsive, we -- you know, we  
19 can't let that get in the way of doing the fundamental job  
20 that we're hired to do, which is to assess the correctness  
21 of -- and overall quality of an actuarial valuation.

22           ELIZABETH WILEY: I'll say, the process is very  
23 transparent. We don't have side calls or anything like  
24 that with a -- with a firm that we are essentially  
25 auditing. And one item that I think is very important

1 when performing these kinds of services is being very  
2 proactive and communicative and clear. It is never in the  
3 best interest of anyone to be surprising them at a meeting  
4 like this, as an example. So speaking early and often.

5 COMMITTEE MEMBER PACHECO: Thank you.

6 CHAIR COHEN: All right. Thank you. Anything in  
7 the last few minutes -- seconds that you have?

8 DAVID DRISCOLL: Simply to reiterate that, you  
9 know, it's been our privilege to work with CalPERS now for  
10 some time. We think it's gone exceedingly well and we  
11 would very much appreciate the opportunity to continue  
12 that relationship.

13 CHAIR COHEN: All right. Very well. Thank you  
14 very much. This concludes our interview.

15 Thank you.

16 Okay. Staff, if you could bring in the next  
17 company, Milliman.

18 All right. Good afternoon, Milliman team. Come  
19 on up. Let's hustle. Come on.

20 All right. Welcome. Please have a seat. Now,  
21 your firm was asked not to view the interviews that  
22 preceded you. Can you confirm, to the best of your  
23 knowledge, that your firm did not view those interviews?

24 DANIEL WADE: We can confirm that.

25 CHAIR COHEN: All right. Thank you very much.

1 Well, Milliman, Inc, thank you. You have five  
2 minutes to open up the presentation, give minutes to  
3 introduce yourself, and then we will proceed into a 25  
4 minute segment, where each of us have a question prepared.  
5 We have a total of eight questions.

6 All right. You may begin.

7 (Slide presentation).

8 DANIEL WADE: Hi. Thanks for having us this  
9 afternoon. My name is Daniel Wade. I'm here with Ryan  
10 Falls and we're here representing Milliman, a global  
11 actuarial and consulting firm with over 75 years in the  
12 business. One of our very first clients was a public  
13 employee retirement system, a statewide system, and we  
14 continue to have a strong presence in that area from  
15 Washington State, to California, to Florida.

16 Talk a little bit about our team up there. I'm  
17 listed as the principal actuary, Daniel Wade. I have, as  
18 it says, about 30 years of experience. And I have an  
19 extensive experience with audits -- actuarial audits in  
20 particular, including statewide systems in Texas, as well  
21 as Washington State. And I also have worked on many of  
22 the counties here within California.

23 When I'm not working on audits, I'm the lead  
24 consultant for the Tacoma Employees' Retirement System, as  
25 well as the lead technical actuary for the Florida

1 Retirement System.

2 I'll let Ryan say a few words about himself.

3 RYAN FALLS: Thanks. My name is Ryan Falls.

4 Like Dan, almost 30 years now doing -- working with large  
5 public retirement systems. Worked with some of the  
6 largest retirement systems across the country. You know,  
7 it's -- I always tell people that it's not the most  
8 exciting job to talk about at cocktail parties, but I  
9 really do like what I do. I love working with public  
10 employees and supporting the retirement across the  
11 country, so -- and I'm looking forward to the opportunity  
12 to work with you all.

13 DANIEL WADE: All right. And if you look at the  
14 screen in between us is Nick Collier. He was scheduled to  
15 be here today. Unfortunately, he got sick yesterday. But  
16 Nick is an excellent person who has the lead consultant  
17 role for CalSTRS, as well as LACERA in Los Angeles County,  
18 SamCERA, San Mateo County, and he also works on Texas  
19 County and District, as well as the City of Seattle. And  
20 he really enjoys actuarial audits. It's too bad he can't  
21 be here, but that is his favorite thing to do. He's done  
22 about 50 of them.

23 Matt Larrabee, the lower left-hand corner, he  
24 would be our peer review actuary. He will make sure that  
25 we have the quality assurance that we need. And then



1 Julie Smith in the center, she's really excellent. We're  
2 really looking forward to working with her. She's  
3 terrific. And behind us, we have about 130 retirement  
4 actuaries who are credentialed in the retirement space,  
5 and we've done about 40 audits over the last 10 years.

6 [SLIDE CHANGE]

7 DANIEL WADE: Looking at the next slide, we take  
8 quite a bit of pride in this. Six of the largest seven  
9 pension retirement -- public sector pension retirement  
10 systems have chosen us to either be the retained actuary  
11 or to be the -- or to be the actuarial audit actuary. And  
12 you'll notice there's one that's missing. We'd love to  
13 make it seven out of seven here today.

14 But another thing to note is that we've worked as  
15 the actuarial audit for in-house staff, when New York City  
16 and State, as well as Washington retirement systems. We  
17 have an excellent relationship with the staff actuaries.  
18 And we think that's really important, even though we're as  
19 independent as we can be in our calculations, we have a  
20 collaborative attitude, and we are aligned in our  
21 interests of providing the best information we can to the  
22 decision-makers.

23 [SLIDE CHANGE]

24 RYAN FALLS: Sure. And what's important,  
25 especially with a retirement system as large and complex

1 as CalPERS is, is that we stay focused on the big picture,  
2 what's important. And as you all know, it's a very  
3 complex retirement system. There's a lot of rabbit holes  
4 during the actuarial audit process will go down. But when  
5 it comes to our report, when we come to communicate with  
6 you and we talk to staff, we do try to keep an eye on  
7 what's important, what do you need to hear as a Board,  
8 what's important for you in your governance role in  
9 monitoring your Actuarial staff. So we do stay focused on  
10 the big picture. And we enter into it assuming that  
11 everything is correct. And our goal is just to help the  
12 process get a little bit better.

13           Your Actuarial staff is regularly audited.  
14 There's not -- we don't expect to find large issues. But  
15 with our experience working with major retirement systems,  
16 we've seen systems solve different problems different  
17 ways. And with us being independent and working with lots  
18 of different retirement systems, we bring that to you as a  
19 Board, and we bring that experience. And when we have  
20 opportunities to talk about, hey, we've seen this issue  
21 solved a little bit differently at a different retirement  
22 system where we've done with our clients, we bring that to  
23 you, and it just provides everybody an opportunity to talk  
24 about an opportunity for enhancement and talk with you,  
25 the Board, and talk with the staff about how to maybe make

1 the process a little better. And then we come -- we have  
2 a discussion and we either -- it either reinforces the way  
3 you're doing it right now is the right way to do it or it  
4 gives you an opportunity to consider a change in the  
5 process.

6 Running out of time.

7 [SLIDE CHANGE]

8 RYAN FALLS: But we're ready for questions.

9 CHAIR COHEN: All right. Let's bring it then.

10 All right. So we have eight prepared questions, as I  
11 mentioned. I'll started with the first one.

12 So as the Board's independent consultant, how do  
13 you ensure independence, yet maintain a collaborative  
14 working experience with the CalPERS executive team and the  
15 CalPERS staff?

16 DANIEL WADE: You want me to start with that?

17 RYAN FALLS: Go for it.

18 DANIEL WADE: Great. Yes. Well, we -- it's  
19 interesting that you bring that up, because that is one of  
20 the points we like to make and one that we take some  
21 provide in succeeding with the Washington State Retirement  
22 System. And I've worked on the Washington State  
23 Retirement System, as I mentioned, we have just an  
24 excellent working relation with what they call the Office  
25 of the State Actuary. And while we are independent in our

1 calculations, when we do find something that is an issue  
2 or we feel it could be done differently, we talk to them,  
3 and we listen, and we make sure we're all on the same page  
4 about what is the difference, if there are differences.  
5 And occasionally, there have been.

6           We've been doing that one for years now, and we  
7 have occasionally had some differences, both of opinion  
8 and in fact. And we take our time to go through it with  
9 them, listen to what they have to say. And another thing  
10 we do in our project plans is we allow enough time to get  
11 that done. If you wait until the last minute, then you  
12 sometimes get to a situation where you have a surprise  
13 that gets sprung at the meeting. We never have that  
14 situation with them. We've never had that situation. I  
15 know that nobody appreciates it, nobody wins when it's  
16 dueling actuaries, and we just make our best effort to  
17 have the timeliness and the respect that it takes to work  
18 together to get the job done.

19           Do you have anything to add, Ryan.

20           RYAN FALLS: That's great.

21           CHAIR COHEN: Okay. All right. Thank you very  
22 much. Our next question is going to come from Vice Chair  
23 David Miller.

24           VICE CHAIR MILLER: Describe your firm's theory  
25 and methodology used in recommending an appropriate

1 actuarial cost method for a public pension fund and  
2 discuss how your firm will ensure your staff is up to date  
3 with regulatory requirements and actuarial standards of  
4 practice.

5 RYAN FALLS: Sure. I'll take that one. Thanks  
6 for that question. I've heard it described one time at a  
7 conference this way, but these pension plans there's a  
8 blizzard of assumptions, and methods, and processes that  
9 go into the actuarial valuation that your Actuarial staff  
10 conducts every year, that goes into calculating your  
11 funded status, and the contribution rates. There's just a  
12 lot of moving parts that gets -- can get very complicated.  
13 But the goal of it ultimately is to -- the contribution  
14 rates is to set a budget, meet -- try it -- with the goal  
15 of meeting certain criteria to fund these pension plans  
16 and make sure the money is on hand to pay the benefits.  
17 And there are lots of different methods, and assumptions,  
18 and processes that you can utilize to go into that.

19 An actuarial cost method is one of those. How  
20 are we allocating the costs of each active member's  
21 employer over the course of their career? And some -- and  
22 there's pros and cons to each of those. And what we as  
23 consultants will come -- the way we approach that  
24 discussion with out clients is to talk about the pros and  
25 cons and to illustrate and to demonstrate what the effect

1 of using the different methods would be, because  
2 ultimately the goal is to set up a reasonable allocation  
3 of contributions over time, so that we meet the goals that  
4 you, as a Board, set for funding each of these benefits.

5 So it's a -- it's a collaborative process, it's  
6 communication and discussing the pros and cons, and  
7 collaborating with your actuarial staff -- in this case,  
8 collaborating with your actuarial staff on what the --  
9 what the right method for you all is and for your member  
10 cities and agencies.

11 And the second half of the question.

12 DANIEL WADE: Yeah, the Actuarial Standards of  
13 Practice.

14 RYAN FALLS: Yeah.

15 DANIEL WADE: -- specifically. Do you want to  
16 talk about that too or --

17 RYAN FALLS: You can take that.

18 DANIEL WADE: You want me to take that?

19 RYAN FALLS: Yes.

20 DANIEL WADE: Yes. Well, it is true. They have  
21 a lot of actuarial standards of practice. It seems like  
22 they're tweaking them constantly. Sometimes it almost  
23 seems like a little bit of overkill to be honest with you,  
24 but there are good ones that get brought forward.  
25 There's -- the modeling one as a fairly recent one. Then

1 there's one about risk disclosure. Those are ASOP 56 and  
2 ASOP 51, respectively. And they also recently tweaked the  
3 ASOP 4, actuarial Standards of Practice number 4, which is  
4 kind of the umbrella standard for pension systems.

5 And I will say I was the lead in the Committee at  
6 Milliman, who kind of got us ready for the revamp of ASOP  
7 4. It was kind of an interesting thing. I suggested that  
8 we needed to have such a committee and someone said, you  
9 know what, you're right, and okay now I'm leading the  
10 committee.

11 (Laughter).

12 DANIEL WADE: Funny how that worked out, but I do  
13 think that we did a good job and it creates opportunities  
14 for people to know more about what is required. The most  
15 recent ASOP 4, one of the things they brought in was the  
16 Reasonable ADC, actuarially determined contribution. And  
17 it is good to have some parameters around, because there  
18 are a lot of different reasonable actuarially determined  
19 contributions. And the most recent ASOP 4, that was -- to  
20 me, that was biggest highlight. There were other things  
21 too. They're tweaking them all the time, as I did  
22 mention.

23 RYAN FALL: Highlights.

24 DANIEL WADE: Yes. Yes. That was definitely one  
25 of the -- one of the highlights. And we've added -- I

1 mean, we had online kind of a town hall kind of a thing  
2 where we talked about what we're going to need to change  
3 in our reports. We've added to our checklist. I mean, I  
4 think there was pretty good communication. We've added to  
5 our caveats and disclaimers in the reports. And so we've  
6 taken a lot of steps with ASOP 4. ASOP 51, the risk  
7 disclosures, there are a number of disclosures that we've  
8 added to our reports. And I think they do show a more  
9 complete picture. And I think they were a positive  
10 development for the actuarial practice throughout the  
11 country.

12 RYAN FALLS: Yeah.

13 CHAIR COHEN: Our next questions comes from Frank  
14 Ruffino.

15 ACTING COMMITTEE MEMBER RUFFINO: Good afternoon,  
16 and thank you Madam Chair. Please describe your quality  
17 control processes for actuarial audit reports and  
18 recommendations, and how are these services monitored and  
19 reviewed?

20 RYAN FALLS: That's great. So we do have a very  
21 thorough peer review process. We have analysts to prepare  
22 the work, and then that's reviewed by kind of the  
23 supporting actuarial team. And then we have a lead  
24 actuary. So we have a do, review -- peer review, and then  
25 there's a quality review -- so there's four levels of



1 review let me put it that way.

2           We have -- basically, we have a tool that tracks  
3 and that requires us to make -- take each step that --  
4 check off that each step has been completed before the  
5 work product is released. And you saw that, you know, we  
6 have supporting actuaries, if you saw the team. But we  
7 have a designated peer review actuary who's one of the  
8 most experienced public sector actuaries in our firm, that  
9 we'll be reviewing every -- all of our work product before  
10 it goes out the door that -- kind of an independent review  
11 and perspective, and provide -- lend his perspectives and  
12 experiences to our actuarial audit report.

13           And then again, we have a tool that requires us  
14 to check those boxes as we go along to make sure each of  
15 them is complete. And we take that -- and I -- Milliman  
16 is known for having one of the highest quality standards  
17 in the industry. And we take a lot of pride in that and  
18 our clients expect that from us as well to have that high  
19 level of quality.

20           DANIEL WADE: Yeah. And this particular  
21 engagement, it would be Matt Larrabee would be the  
22 external peer review actuary and you saw his picture  
23 earlier. He is the lead for Oregon PERS and Florida  
24 Retirement System. Very experienced, very talented  
25 fellow. We have to say that. No, we actually do believe

1 that.

2 (Laughter).

3 DANIEL WADE: He is a very talented fellow and we  
4 are looking forward to having him assist us with making  
5 sure we have the highest quality product possible here.

6 CHAIR COHEN: All right. Thank you. Next  
7 question is going to come from Jose Luis Pacheco.

8 COMMITTEE MEMBER PACHECO: Thank you, Madam  
9 Chair.

10 Please explain how your firm will reconcile  
11 differences between CalPERS calculations of normal costs,  
12 liabilities, or present value of benefits and your  
13 calculation of those, if the differences were larger than  
14 five percent.

15 RYAN FALLS: Well, I can take that. It kind of  
16 dovetails with that we were -- what I was saying earlier  
17 about what -- the question about selecting cost methods.  
18 I mean, there are -- again, these are very complicated  
19 retirement systems, a lot of moving parts that go into  
20 calculation. So there are different ways to tackle, you  
21 know, different challenges in the actuarial valuation  
22 process. So as Dan said, the way that we've worked with  
23 the State of Washington in a very similar role is to allow  
24 time for discussion, to communicate along the way,  
25 communicate as early as possible, so that we all have a

1 chance to thoughtfully go through the differences, and to  
2 reconcile and to discuss what might -- what the solutions  
3 might be and the best way to move forward.

4           And again, the goal is to try to improve the  
5 process, just to get a little bit better every time we go  
6 through this actuarial audit process. They are  
7 complicated and there's a lot of ways to tackle different  
8 issues, and we just want to provide our independent  
9 perspective and help everybody get a little bit further.  
10 So it would be thoughtful. It would be making sure we  
11 have enough time to talk through it, and to be open to  
12 listening to Actuarial staff's perspectives on it.

13           DANIEL WADE: So, yeah, one other thing to add is  
14 sometimes we'll look -- obviously, we look at everything  
15 in aggregate and we break it down in as many ways as we  
16 can, but we'll also look at individual. And that's really  
17 an important step, and that can reveal things that aren't  
18 always revealed when you look at the macro level. I mean,  
19 the total -- the way it's typically done, and what we  
20 usually do, is to sum the results for every individual  
21 person. For every individual person, you have your  
22 assumptions and all of the -- all of the assumptions that  
23 go into the projections of the benefit payments, and so  
24 forth. And it can be revealing to look at individuals in  
25 addition to looking at the macro level and looking at

1 broader breakdowns.

2 COMMITTEE MEMBER PACHECO: Thank you.

3 CHAIR COHEN: Okay. Next question comes from  
4 Kevin Palkki.

5 COMMITTEE MEMBER PALKKI: Thank you, Madam Chair.  
6 How does your experience having worked with or not worked  
7 with CalPERS in the past provide a competitive advantage,  
8 how would you leverage this competitive advantage to our  
9 benefit, and describe potential challenges and how you  
10 would overcome them?

11 DANIEL WADE: Okay. Yes. Well, we think that  
12 obviously part of the reason that you do an actuarial  
13 audit is to get an independent fresh set of eyes. And so  
14 in that record, it should be advantageous to the system to  
15 have an actuary that hasn't been involved with the last  
16 couple of rounds. We'll bring our own perspective, our  
17 own experience, and we think that's a very valuable thing  
18 to have.

19 Now, we also bring our experience with similar  
20 systems, and that would include our work, as I said, with  
21 New York State, and the City, and Washington Retirement  
22 systems. And so we kind of know the drill at some level,  
23 but we don't have -- you know, you're going to get a fresh  
24 perspective. That's one thing that you're going to get  
25 with us that you wouldn't get if we had been the ones to

1 do the last couple of cycles. And we definitely think  
2 that's a value to the system.

3 RYAN FALLS: Well, to touch on something I  
4 started on -- or to kind of elaborate on something I  
5 started on earlier -- to discuss earlier, is that, you  
6 know, also there -- a lot of retirement systems --  
7 obviously in the country -- obviously in the country. And  
8 if you've seen one retirement system, you've seen one  
9 retirement system, right? You know, you're all trying to  
10 solve the problem. You're funding very important -- very  
11 important process of pre-funding these benefits to make  
12 sure we have money to pay our public servants when they  
13 retire. And retirement systems across the country have  
14 solved kind of the same problem in different ways.

15 And with our actuarial audit work, working with  
16 45 funds on an actuarial audit over the last 10 years, and  
17 the work we do as retained actuaries, we've seen each of  
18 these problems solved in lots of different ways, with lots  
19 of different solutions. And we've seen things that work  
20 and we see things that -- maybe let's put it this way,  
21 seeing things that worked better and things that maybe not  
22 worked as well, as they wanted it to.

23 So being able to come to you with those  
24 perspectives, that actuarial audit experience retained --  
25 experience as a retained actuary, bringing those new

1 perspectives to you. And again, it allows us to have a  
2 conversation with staff, with your actuarial team, with  
3 you all as the Board, to talk about, hey, we've seen this  
4 issue approached in this way, and we can have a productive  
5 conversation together about again what worked, what  
6 doesn't, what's going to be right for CalPERS going  
7 forward. And then it helps us to reinforce our current  
8 methods or maybe gives us the opportunity to consider a  
9 way to enhance the process going forward. So it's that  
10 perspective of working with all the different types of  
11 retirement systems outside of CalPERS that we bring to you  
12 in this process.

13 COMMITTEE MEMBER PALKKI: Thank you.

14 CHAIR COHEN: All right. Thank you.

15 Next question comes from Ramón Rubalcava. Go  
16 ahead.

17 COMMITTEE MEMBER RUBALCAVA: Thank you.

18 What is the principal actuary's experience with  
19 State pension plans? You spoke to that, but it's an  
20 opportunity to elaborate. Describe his experience  
21 auditing pension plans, including length of time and size  
22 of plans. Thank you.

23 DANIEL WADE: Very well. When it comes to -- I  
24 guess I'm the principal actuary. So I should -- he can  
25 answer this one. No, I'll -- might as well have me answer

1 this one.

2 I've worked with as the lead technical consultant  
3 for the Florida Retirement System. And I've done  
4 actuarial audits for the Washington Department of  
5 Retirement Systems, as well as the Texas Teachers and also  
6 the Kentucky system. I have pretty extensive experience  
7 with actuarial audits. I think we've done about eight of  
8 the 20 '37 Act systems here in California. Also did the  
9 independent systems of San Luis Obispo and San Francisco,  
10 so a fair amount of experience here in California.

11 I guess, yes, I have about 30 years total  
12 experience. I spend a fair amount of time also on retiree  
13 medical systems. And I'm not just focused on pension, but  
14 those two things serving the public sector have been my  
15 task over my 30-year career.

16 RYAN FALLS: I'll just tag on, even though the  
17 question is about him specifically. Just our team, as a  
18 whole, we really do like what we do. We really enjoy this  
19 work. And actuarial audits in particular, I think help  
20 sharpen my toolkit, if that's a good phrase to use,  
21 probably not. But just to be able to see, I've got my  
22 regular clients that I work with that I'm very close to,  
23 but to be able to do an audit -- actuarial audit and to  
24 see new things, how different actuaries approach to --  
25 kind of what I was talking about earlier, how other

1 actuaries have approached the same problem. And it helps  
2 me kind of build out my toolkit, and have new ways, and  
3 see issues from different perspectives.

4           So we really try to get as many of our staff  
5 members involved in actuarial audits as we can to give  
6 them that same independent perspective to help them be  
7 better consultants going forward to see different plans  
8 and different issues solved in different ways, so --

9           COMMITTEE MEMBER RUBALCAVA: Thank you.

10          CHAIR COHEN: All right. Last question comes  
11 from Mullissa Willette. Or second to last question, I  
12 guess.

13          COMMITTEE MEMBER WILLETTE: Thank you,  
14 Controller. My question is how engaged will the principal  
15 actuary be with the work on our plan and will the key  
16 people in the proposed contract be assigned to CalPERS for  
17 the life of the contract?

18          DANIEL WADE: Yes. I will be extremely involved  
19 and I will be assigned for the life of the contract. I  
20 believe it's a three-year cycle, and then there's the  
21 final report at the end. And I'm fully committed to being  
22 the principal actuary throughout that time period. And  
23 for that matter, I guess -- you only asked about the  
24 principal actuary, but Nick, and Ryan, and Matt, and Julie  
25 are all dedicated. We have very little turnover actually



1 with our company. That's been a strength of our company  
2 throughout the years and I don't see any likely changes in  
3 our team, and certainly not with me as the principal  
4 actuary.

5 RYAN FALLS: And if we do, we'll bring those to  
6 you, and you'll have the opportunity to approve.

7 DANIEL WADE: That's true. Yeah, I guess --  
8 well, and I -- yeah, I can speak to that too. We had --  
9 we had a recent retirement with Mark Olleman was his name.  
10 And he did a meticulous job of lining up who the next  
11 actuaries are going to be on all of his clients. And we  
12 had a smooth transition both for the Washington audits  
13 that I've been talking about, Texas county and district,  
14 City of Tacoma. I mean, we were in good shape. It was  
15 about as seamless, even though he was a very experienced,  
16 very talented guy with a lot of great ideas, he really was  
17 putting forth the effort to make sure that there would be  
18 as little transition as possible. But for this particular  
19 case, I certainly anticipate being there throughout the  
20 period of the engagement.

21 CHAIR COHEN: All right. Thank you.

22 Last question. Please describe to me your firm's  
23 culture and values, and what aspects of your firm's  
24 culture and values align with CalPERS as you understand  
25 CalPERS cultures and value?

1 DANIEL WADE: Well, we see it as our -- what  
2 we -- I guess there are a lot of different aspects to  
3 culture. One thing I will mention is that we do have a  
4 commitment to DEI. I know that has -- you know, in some  
5 circles isn't as popular as it used to be, but we  
6 definitely have a commitment there. I think that we feel  
7 that diverse backgrounds lead to diverse ideas, lead to  
8 the best ideas. And I also feel like if we're going to  
9 get the best out of each of our people, they need to be as  
10 comfortable as possible while they're out. Also as a  
11 personal level, family and friends who come from diverse  
12 backgrounds, I want to make sure that they would be  
13 welcome at Milliman.

14 And to that end, we have a -- part of the  
15 C-Suite, we actually have a DEI and Sustainability person.  
16 And we have committed to this in a few different ways. We  
17 look at it in three levels. We look at our current  
18 employees, and we also look at the recruiting, and then we  
19 also look to the youth. And I'll talk about what we do  
20 for our current employees. We have, what we call, the  
21 Employee Resource Groups, which are -- represent many  
22 different areas, and they're open to allies as well as  
23 people in that -- in those roles, and in -- with those  
24 backgrounds. And it gives opportunity for mentoring. It  
25 gives opportunity for inclusion. We've had things, such

1 as, for instance, the -- we had the Lunar New Year  
2 celebration.

3 And I think I mentioned to him once, I  
4 actually -- I don't know if he sat in on the Lunar New  
5 Year, but the -- I was very proud to have won the contest  
6 for being the quickest to figure out who was born in the  
7 year of the snake. Now, I'd like to say that I looked at  
8 his serpentine qualities, but that really wasn't the case.  
9 I looked at, okay, well, it's every 12 years this guy it  
10 seems like he might be 24 this year, and so I chose him to  
11 be the person who has the year of the snake, and that  
12 turned out to be correct.

13 So there are some opportunities for us to educate  
14 ourselves. And then also, I mentioned that at recruiting,  
15 we have relationships with the International Association  
16 of Black Actuaries, as well as the Organization of Latino  
17 Actuaries, and that makes sure that we have a pipeline of  
18 candidates when we are hiring people. And then we take  
19 another step further, because realistically, the actuarial  
20 profession is not as diverse as many of us would like for  
21 it to be, but we have mentoring with local high schools.

22 And we know that part of the reason it's not as  
23 diverse as we'd liked for it to be is that there isn't as  
24 much awareness and, you know, it's not a well-known  
25 profession, truth be told. But we want to cultivate an

1 interest in financial services, as well on mathematics and  
2 cultivate the talents and interests that young people  
3 have. And so we really do look at that at three level,  
4 and that is really an important thing for us.

5 Other aspects of our culture.

6 RYAN FALLS: It's tuff to top that.

7 DANIEL WADE: Okay. Okay.

8 (Laughter).

9 DANIEL WADE: Well, yeah, I mean, there --  
10 obviously, there is more than diversity involved with our  
11 culture. We definitely see ourselves. We realize that,  
12 you know, it's not like we're a not-for-profit, which has  
13 this -- you know, some loftier goals, but we really do see  
14 what we do as a societal good. We really think that  
15 the -- particularly those of us who work in public  
16 employee retirement systems, we think that the public  
17 servants have worked hard, and these promises have been  
18 made, and we need to make sure these promises are kept.

19 We also feel like defined benefit plans are an  
20 effective way of providing retirement income to the people  
21 who have dedicated their service to public service.

22 Yeah. I guess -- I don't know if I have too much  
23 more to say about that, but we have committed ourselves to  
24 something we feel good about doing and promotes the  
25 well-being of the public servants.

1 CHAIR COHEN: Great. Thank you.

2 DANIEL WADE: Yeah. Yeah.

3 CHAIR COHEN: All right. Thank you, colleagues.  
4 Do you have any other questions, any follow-up?

5 Ramón Rubalcava.

6 COMMITTEE MEMBER RUBALCAVA: Thank you. I want  
7 to follow up on two points. One is the whole -- the  
8 approach you take to how you -- how you recommend an  
9 appropriate -- somebody was asking about appropriate  
10 actuarial cost method.

11 DANIEL WADE: Okay.

12 COMMITTEE MEMBER RUBALCAVA: And I don't know how  
13 to follow this, but everybody else talked about what they  
14 support, which I know you folks do too, because in your  
15 actuarial report -- not yours, Nick's report to LACERA,  
16 you guys support the entry age. But that question is --  
17 can you give us -- elaborate more about how do you arrive  
18 at any recommendation. And then the second part of that  
19 is when you have disagreements, are they -- and there is  
20 disagreement on actuarial assumption, how do you address  
21 that one, where there's a disagreement in actuarial  
22 assumption or do you? So those are sort of two connected  
23 questions.

24 DANIEL WADE: I can talk about cost method a  
25 little bit, I guess.

1 RYAN FALLS: Yeah. Yeah.

2 DANIEL WADE: We want to talk -- I mean, the  
3 entry age actuarial cost method is by far the most common  
4 within the public sector arena. And it's partially  
5 because it will maintain theoretically the most stable  
6 contribution rates over time. That said, we've seen  
7 the -- what's called the aggregate actuarial cost method,  
8 and that's worked very well in the State of Washington.

9 One thing you need to do if you use the  
10 actuarial -- the -- an aggregate method, it's called a  
11 spread gain method -- this might by a little more into the  
12 weeds than you want, but you're kind of -- by definition,  
13 you're 100 percent funded when you do that. Well, that  
14 doesn't mean anything to anybody then. You need a score  
15 board. And you typically do that by also using the entry  
16 age actuarial cost method. And by that standard,  
17 Washington has done very well. They're close to a hundred  
18 percent funded. Now, they're talking about changing their  
19 investment rate of return assumption. That's a different  
20 category altogether, but they do -- they do use their  
21 aggregate as their primary cost method. And I think it's  
22 worked well for them.

23 I'm a believer in it actually. I think you need  
24 to -- you can't just be dogmatic about entry age is the  
25 one that everybody uses, therefore we should use it. I

1 think that aggregate will assign the gains and losses to  
2 the future working lifetime of the people who are working.  
3 And like I said, I think it's a very effective method.  
4 And so I've seen that work very well. Some -- well, yeah,  
5 I guess I'll let you -- well, I don't know. Oh, are we  
6 out of time or is this --

7 RYAN FALLS: Since he asked a question, do we  
8 keep going or --

9 CHAIR COHEN: We're out of time.

10 DANIEL WADE: Oh, I'm sorry. I didn't --

11 CHAIR COHEN: I know. I appreciate the  
12 enthusiasm. We'll make a note of that.

13 DANIEL WADE: Okay.

14 (Laughter).

15 CHAIR COHEN: But we are out of time.

16 DANIEL WADE: We are known for our enthusiasm.

17 CHAIR COHEN: We -- oh, I'm sorry. They're  
18 indicating that we have minutes.

19 DANIEL WADE: Oh.

20 CHAIR COHEN: Okay.

21 DANIEL WADE: All right, five minutes.

22 COMMITTEE MEMBER RUBALCAVA: So, I mean, if you  
23 could just answer about if there's differences --

24 DANIEL WADE: Okay, if there's differences.

25 COMMITTEE MEMBER RUBALCAVA: Like, for example, I

1 don't want to use examples, but if it's any actuarial  
2 assumptions, how would address that? I mean, it's an  
3 audit, but --

4 DANIEL WADE: Do you want to take this one?

5 COMMITTEE MEMBER RUBALCAVA: --- but if you think  
6 that -- and you're using the data from CalPERS, if you  
7 assume -- if you -- I think I've said enough. Go, go --  
8 let's see how you would tackle any differences in --

9 RYAN FALLS: I'll start and then if you want --

10 COMMITTEE MEMBER RUBALCAVA: Yes. If you think  
11 it's -- you know, you may not think is reasonable. Maybe  
12 that's the best way to say it. Is it a reasonable  
13 actuarial assumption.

14 RYAN FALLS: Okay. Right. When you look at  
15 assumptions -- we could spend a day talking about every  
16 single assumption and getting really deep into the weeds  
17 on the theory and the analysis of each one, and what might  
18 be reasonable and what not -- what might not be  
19 reasonable. I think when we really come to an impasse on  
20 specific assumptions -- well, there's two things to keep  
21 in mind. One, I mean, again, the big picture is we're  
22 trying to kind of methodically fund this plan in a smart  
23 way over time to make sure we have money to pay the  
24 retirement benefits. And there's a lot of assumptions  
25 that go into it.



1           And so, it's most important that the methods and  
2 the assumptions as a whole, are putting us on a reasonable  
3 path to paying off -- you know, eliminating our unfunded  
4 liability and have enough money to pay benefits. But when  
5 I'm -- when we have an impasse on one specific assumption,  
6 I think it's got to come down to a discussion of risk and  
7 trying to look at the downside -- I mean, really, we're  
8 worried about downside risk in this business, right? We  
9 want to make sure we have enough money to pay benefits.

10           The downside, not having enough money or falling  
11 behind to the point where we can't catch up, the hole gets  
12 too deep, that's our biggest risk. If we have too much  
13 money on hand and it's pouring out of our pockets, those  
14 are good problems to have. And I'm assuming we can -- I  
15 know we can all come together and solve those problems.  
16 So it's the downside risk we're worried about.

17           So when there's one particular assumption that  
18 we're at an impasse on, it's really breaking it down and  
19 saying what is the -- what is the downside here. If we  
20 are too aggressive or we're too conservative on one  
21 particular assumption, where is that going to take us, and  
22 what's the worst case scenario here, and what could be the  
23 positives with going. So it's really trying to break down  
24 the different scenarios that we could find ourselves in  
25 down the road, if we go with too aggressive an assumption.

1           And so it's really trying to look at the risk  
2 associated with being too aggressive in one particular  
3 assumption, but then making sure we understand taking a  
4 step back and that it is kind of a package of assumptions  
5 as a whole, and where do we think the entire package of  
6 assumptions is, and not getting too lost on just one small  
7 assumption, even though some assumptions are kind of a  
8 bigger and more impactful than others.

9           DANIEL WADE: Yes. Yes.

10          RYAN FALLS: So anyway, do you want to tag on to  
11 that discussion.

12          DANIEL WADE: No, I think I'm fine. I mean, of  
13 course, the ones that get the most attention are the  
14 investment rate of return and the mortality assumptions.  
15 We've kind of gotten to a point as a profession where  
16 generational mortality is the default that. It didn't  
17 used to be that way. There used to be a lot of different  
18 ways to do it. Another thing about mortality assumptions  
19 is that we use -- typically recommend a benefits weighted  
20 mortality assumption, because we found, and this has been  
21 supported by research by the Society of Actuaries, that  
22 those with larger benefits tend to live longer. And  
23 therefore, even if you get the right number of deaths and  
24 a large enough population, the -- there can still be  
25 actuarial losses associated with the people with the

1 biggest benefits living the longest. And we're really  
2 trying to match the liability-weighted number rather than  
3 the head count-weighted number. So that's one thing that  
4 sticks out that used to be a source of contention amongst  
5 actuaries, but it kind of has been resolved at this point  
6 for the most part.

7 RYAN FALLS: But I think fortunately as an  
8 industry, this Board and boards across the country made  
9 some really hard decisions in the last 10 years when it  
10 came to the big assumptions that Dan talked about with  
11 mortality, and kind of adopting that generational, the  
12 always improving mortality, and getting the discount rates  
13 down to more -- investment return assumptions down to a  
14 more reasonable level. Those are just some really hard  
15 pills to swallow for plans across the country, but we all  
16 work through those together as an industry. We all got to  
17 a better place. And so now, when we talk about  
18 assumptions and have disagreements on methods, what we're  
19 really tweaking now going forward, it seems like more, we  
20 has some really fundamental differences, maybe 10, 15  
21 years ago on certain assumptions, but we've gotten to a  
22 much better place as an industry.

23 And so going forward, you know, we should start  
24 to see as an industry-wide and plans as whole starting to  
25 improve and to get better. And when we have

1 disagreements, they're going to be hopefully much smaller  
2 and beyond on the -- on the fringes and on the tweaks than  
3 necessarily kind of these large impactful assumption  
4 changes that we really had to -- we struggled to get  
5 through, again over the last 10 or 15 years, so...

6 COMMITTEE MEMBER RUBALCAVA: Thank you.

7 RYAN FALLS: Yeah. That's great. Thanks for the  
8 extra five minutes. I appreciate it.

9 CHAIR COHEN: No problem. We budgeted for that.

10 DANIEL WADE: Yes. Good. Good. Yeah, that's  
11 what we thought.

12 CHAIR COHEN: It was part of our assumptions in  
13 the interview.

14 DANIEL WADE: Absolutely.

15 CHAIR COHEN: All right. Thank you very much.  
16 We are all out of time. We appreciate your presentation.

17 DANIEL WADE: Thank you.

18 CHAIR COHEN: And you are dismissed.

19 DANIEL WADE: Thank you very much. We appreciate  
20 it.

21 COMMITTEE MEMBER RUBALCAVA: Tell Nick I hope he  
22 gets better soon.

23 DANIEL WADE: Oh, yes. Yes. We'll pass that  
24 along to him. Thank you.

25 CHAIR COHEN: All right. The next interview

1 we're going to hear from is the Segal Company.

2           Could the Segal Company representatives come on  
3 down, take a seat in front of the microphone. Okay. The  
4 Segal Company, your firm was asked not to review -- not to  
5 view the interviews that preceded you. Can you confirm to  
6 the best of your knowledge your firm did not view those  
7 interviews?

8           TODD TAUZER: Yes.

9           CHAIR COHEN: All right. That's very good.  
10 Thank you very much for joining us today.

11           You will have five minutes for an opening  
12 presentation, opening remarks. And then, we will pivot to  
13 your second segment, which is a 25 minute segment of eight  
14 questions that we have prepared. All right. Thank you  
15 and you may begin.

16           (Slide presentation).

17           TODD TAUZER: All right. Well, good afternoon.  
18 Thank you for having us here today, Madam Chair and  
19 members of the Committee. My name is Todd Tauzer and  
20 we'll do some formal introductions in a second, but I want  
21 to thank you for --

22                               [SLIDE CHANGE]

23           TODD TAUZER: -- sticking with the end of the  
24 interview process and seeing us here in the middle of the  
25 afternoon.

1           So we have a few quick slides we want to go over  
2 to introduce you to Segal, introduce you to our team, talk  
3 about a few of our key strengths, and then, of course,  
4 we'll be happy to answer all of the questions that you may  
5 have. So we'll just jump right into it.

6           Segal, at a glance, is the first slide here, we  
7 just want to make the point that Segal has been around  
8 almost 85 years. It started in 1939 -- I guess, over 85  
9 years now. And it started with one man working union  
10 representatives, working one-on-one basis to get them the  
11 benefits that they needed. It turned into working with  
12 plans, starting on the union base side. You're familiar  
13 with Taft-Hartley plans. Expanded into corporate and  
14 public pensions. And we've been growing ever since. We  
15 work on over 120 public retirement plans across the United  
16 States, and we have a retention rate of 98 percent,  
17 meaning for ongoing work that we do with these plans, we  
18 keep almost all of them, based on the long deep  
19 relationship that we have with them.

20           So just a quick introduction to Segal here. This  
21 is our proposed team on this side that's going to be doing  
22 the work. I'll mention the three folks that aren't here  
23 quickly. We have Melanie Walker. She is the head of our  
24 Compliance Department. Our Compliance Practice Leader  
25 helps us with regulatory issues, legislative issues on any

1 of our public retirement clients. She's been a very  
2 helpful resource there.

3 Anna and Max down on the bottom here are members  
4 of our State team in the west. They're currently working  
5 with us on CalSTRS, which is a plan we're currently  
6 auditing and doing a replication review process for, so  
7 they're involved in that. And then three of us will each  
8 introduce ourselves. My name is Todd Tauzer. Not only do  
9 I help lead the work that we do in the west, but I'm our  
10 public national retirement leader. So I help oversee all  
11 the work we do across our 120 plans we work on across the  
12 United States.

13 My quick background is that I started my career  
14 at CalPERS. I worked here for about eight years or so,  
15 had eight -- had five different positions, finished as a  
16 senior pension actuary in charge of asset liability  
17 management and risk from the Actuarial Office side. So I  
18 worked with the ALMAC, the Asset Liability Management  
19 Advisory Committee. And I know our plans very well. I  
20 worked on public agency plans. I worked on the State and  
21 School plans, even looked at some of the stuff with the  
22 affiliates. So I know our plans very well. I went from  
23 there to S&P Global Ratings. They hired me as Director of  
24 Municipal Pensions. My job was to evaluate pension plans  
25 across the United States.

1           So I actually looked at State plans across all 50  
2 states to see what they're doing well in terms of funding  
3 policies, investment policies, et cetera, seeing what was  
4 done well, what was done poorly, and where are these plans  
5 heading over time. And then finally for the last years I  
6 worked at Segal.

7           And with that whirlwind tour, I'll turn it over  
8 to Brad.

9           BRAD RAMIREZ: Yes, thank you. My name is Brad  
10 Ramirez. I've been a public sector consultant --  
11 consulting actuary for I guess since 1997. And I've been  
12 with Segal for 20 years. And my background is primarily  
13 public sector pension plans. As I mentioned, I work with  
14 State plans. For example, the states of Nevada and  
15 Colorado, I work with their systems directly every day,  
16 and also other audit projects that we'll -- I'm sure we'll  
17 talk about later.

18           DANIELLE CRUME: My name is Danielle Crume.  
19 Before Segal, I worked here at CalPERS as a Senior  
20 Actuarial Analyst for the past eight years. And during  
21 that time I worked extensively on State valuations, public  
22 agencies and LRS valuations, as well as the Experience  
23 Study.

24                           [SLIDE CHANGE]

25           TODD TAUZER: All right, so we'll just continue



1 right along with our 90 seconds left. So two slides. The  
2 first one here, we want to point out that we have very  
3 deep roots in the state of California, in particular.  
4 You'll see on the map here, these are all the cities and  
5 systems that we currently work with, not just past  
6 clients, but currently work with. We have highlights on  
7 the left.

8 We're currently doing ongoing replication review  
9 work for CalSTRS. There are 20 county plans in  
10 California. We, as one firm, work for 12 of the 20. So  
11 you may be interviewing five different systems here today,  
12 but we work for over half of the county plans within  
13 California. We work for large city plans, including all  
14 three of the LA city plans. And we also work for UC.  
15 We're the actuaries for UC. So all the campuses and  
16 medical centers put together have a retirement plan, we're  
17 the actuary for that.

18 Finally, we work on neighboring systems as well,  
19 like Nevada PERS and Colorado PERA, as Brad mentioned  
20 here. We also -- I'm the representative on the California  
21 Actuarial Advisory Panel as the Speaker of the Assembly's  
22 representative. So I was -- I was nominated by him to  
23 represent there.

24 [SLIDE CHANGE]

25 TODD TAUZER: In the last 30 seconds, we just

1 wanted to point out a few of the -- our strengths as a  
2 company. So here are four that you may have already got  
3 an idea from what we've been saying so far. So public  
4 sector leadership, Brad and I work on committees and on  
5 organizations that are national in scope and help guide  
6 pension plans. We also have very strong CalPERS  
7 familiarity, based on Daniel working here just up until  
8 this last year, and me working here in the past. We have  
9 very deep experience with CalPERS.

10 And so we'll just leave it at that, since our  
11 time is expiring and we'll look at -- we'll be happy to  
12 answer any questions you may have.

13 CHAIR COHEN: All right. Great. So we have  
14 eight questions prepared for you. I'm going to start with  
15 the first. And it is, as the Board's independent  
16 consultant, how do you ensure independence, yet maintain a  
17 collaborative working relationship with the CalPERS  
18 management as well as the CalPERS staff.

19 TODD TAUZER: Yeah. So I'll start with this  
20 question. I think it is a very important question,  
21 because there is this dichotomy going on between the Board  
22 and staff. And, of course, we work on plans across the  
23 United States and here in California that have that exact  
24 same engagement between board and staff, so we're very  
25 familiar with how this works.

1           And so I think our experience on the one hand  
2 speak for us. But in addition to that, we have actuarial  
3 standards of practice that require integrity, honesty,  
4 transparency et cetera, to the mission to what we've been  
5 hired to do. And we have to absolutely adhere to those  
6 standards. If we don't, or if we hadn't in the past, we  
7 wouldn't be around for the 85 years that we're around.  
8 We've had to develop trust in doing what we've been hired  
9 to do year, after year, after year.

10           So that's doing the mission that's assigned to us  
11 by the Board, but, of course, working collaboratively with  
12 the staff around us time. The final I'll mention is I  
13 think the good news is -- I mean in some cases, there may  
14 be more -- different views going on, but the good news is  
15 the Board, staff, and Segal, we all have the same goal in  
16 mind, which is to review the plan to make sure it's being  
17 funded on a sustainable basis over time, so that we can  
18 ensure the health and sustainability of the plan. And  
19 we're going to do that working with staff. We're going to  
20 do that in our -- in our mission with the Board. And so,  
21 I think even though we're certainly hired specifically by  
22 the Board, we're all on the same side in terms of what  
23 we're trying to accomplish here, making sure that we fund  
24 the benefits that have been promised to these members --  
25 all of our members here in the State of California.

1 CHAIR COHEN: Okay. Next question.

2 BRAD RAMIREZ: No. Go ahead.

3 CHAIR COHEN: Okay. Next question is going to  
4 come from David Miller the Vice Chair.

5 VICE CHAIR MILLER: Okay. Please describe your  
6 firm's theory and methodology used in recommending an  
7 appropriate actuarial cost method for a public pension  
8 fund, and discuss how your firm will ensure your staff is  
9 up to date with regulatory requirements and Actuarial  
10 Standards of Practice.

11 TODD TAUZER: Sure. Do you want to start?

12 BRAD RAMIREZ: Yeah, sure. I mean, first off, to  
13 address the second part of your question, we have a  
14 rigorous training program in our -- in our firm. We have  
15 meetings, quarterly, monthly, and we have an annual  
16 meeting. We call it the TAM, Technical Actuaries Meeting,  
17 where all the actuaries get together in one spot. You can  
18 imagine how fun that is. And we all interchange  
19 knowledge, and we got ourselves -- keep our ourselves up  
20 to date on all the new standards of practice, and, you  
21 know, new developments.

22 You know, so that's one of the advantages of  
23 Segal that I like to say we're big. We're not too big.  
24 We like to -- we can easily exchange information from  
25 state to state and from region to region. And so if

1 something is going in New York that's interesting, we're  
2 going to hear about it and we're going to be able to stay  
3 on top it.

4 TODD TAUZER: Yeah, two more things on that. One  
5 is that also because I'm our public sector retirement  
6 practice leader, I get to coordinate the work done across  
7 all plans. So I get to hear all the issues, whether it's  
8 regulatory, legislative, actuarial, et cetera. They come  
9 up to my desk and I get to work with them and  
10 understanding that. So when we do this review in  
11 particular of the CalPERS, plan we already have that depth  
12 of perspective and expertise from all of the other plans  
13 that we work on.

14 The other thing I'll mention is we have a actual  
15 compliance department. It's led by Melanie Walker. She's  
16 listed on the proposal. And Melanie Walker is excellent.  
17 Some of our clients say, you know, you guys are okay, but  
18 we don't know what we'd do without Melanie. I mean,  
19 she's -- she stays up to speed on every single thing  
20 happening at the federal and at the State levels. And she  
21 brings that expertise along as we work with our clients.  
22 So she's very important to the process.

23 Now, the first part of the question was also  
24 talking about the actuarial cost method, I believe, if I  
25 remember that correctly. So the cost method is -- you

1 know, it's just one of those technical details that all  
2 actuaries have to work through. In the past, there were  
3 different kinds of cost methods that have used it. We've  
4 really, as a profession, all congregated around one  
5 particular cost method. That's called entry age or it  
6 used to be called entry age normal.

7         And the whole point of this cost method is to  
8 look out at the future, understand the benefits that we  
9 promised to our members, bring it back to the present and  
10 spread it out over their working lifetimes, spread out how  
11 to fund those benefits over each member's working lifetime  
12 in an even sustainable way. So that's what entry age  
13 normal or entry age does in particular. That's what we  
14 recommend. That's also what GASB recommends on the GASB  
15 side of things for the accounting side. And so we're all  
16 consistent in this process of a cost method.

17         The last thing I'll mention is as far as  
18 regulatory and legislative and emerging events, if you  
19 will, that may affect actuarial funding, I currently sit  
20 right now on the American Academy of Actuaries. I'm the  
21 Vice Chair of the Retirement Practice Council, which is  
22 the Council that sits over all their retirement  
23 committees. And as Vice Chair of the Retirement Practice  
24 Council, I see all the emerging issues that come for  
25 retirement plans, and we deal with those, whether it's

1 from individuals. It's from states. It's from  
2 legislatures. We understand emerging practices. We  
3 discuss them. We build practice notes around how to deal  
4 with them. And so that perspective is also what we bring  
5 to the table, in terms of our understanding of current  
6 events.

7 CHAIR COHEN: Next speaker will be Frank Ruffino.

8 ACTING COMMITTEE MEMBER RUFFINO: Thank you,  
9 Madam Controller and good afternoon.

10 Please describe your quality control processes  
11 for actuarial audit reports and recommendations, and how  
12 are these services monitored and reviewed.

13 TODD TAUZER: Yes. So I'll start and then I'll  
14 pass it on to whoever wants to talk. I kind of skipped  
15 over it on the last slide, because of the five minutes,  
16 but one of our pillars of our success over time has been  
17 the highest quality controls that we have in place,  
18 whether it's for consulting work -- ongoing consulting  
19 work or whether it's from auditing work. We set up a  
20 process where we have an initial person or team doing the  
21 work, a first review of that work, and then a final review  
22 on top of that work. So we had three layers of review for  
23 any of the work that's being done, starting from the  
24 bottom and working to the top. So that's one layer of  
25 particular controls that we have in the specifics of the

1 work.

2 Brad, do you want to add from a broader level of  
3 perspective.

4 BRAD RAMIREZ: Yeah. I think that's really  
5 crucial to who we are. And I -- it's one of the things  
6 that we're most proud of is the fact that we do the  
7 quality work. And as part of that, you know, I did  
8 mention that. We have a -- that technical actuary meeting  
9 I talked about. We actually have an Office of the Chief  
10 Actuary that oversees all of our development and all of  
11 our controls, I guess I should say. And they are -- they  
12 will actually go to audits -- or go to offices in person  
13 and audit the work that was done on particular clients.  
14 They'll say pull the files on these, you know, three or  
15 four clients. Let's look at the work and how you do it  
16 and make sure that all these processes are being followed.  
17 So we do have a robust process, and it is being followed.  
18 We're sure -- we're sure of that.

19 TODD TAUZER: And one way that we've been able to  
20 verify that from the outside is we've been working in  
21 California for over 30 years. We have, as I mentioned,  
22 more clients in California than other -- any other  
23 retirement firm. And because of that, we get audited a  
24 lot. It's not just us doing the auditing, but we get  
25 audited by other actuarial firms quite often. And in



1 those audits we're proud to say that we've never had an  
2 experience where there was a big mistake found. We had to  
3 redo an evaluation, and it caused a lot of problems.

4 We've had our audits that consistently over time  
5 has shown that the work we do is of high value and that  
6 our clients can depend on the calculations provided by  
7 Segal.

8 CHAIR COHEN: All right.

9 Next speaker, Jose Luis Pacheco.

10 COMMITTEE MEMBER PACHECO: Thank you, Madam  
11 Chair.

12 Please explain how your firm will reconcile  
13 differences between the CalPERS calculations of normal  
14 cost liabilities or present value of benefits and your own  
15 calculation of those, if the differences were larger than  
16 five percent.

17 TODD TAUZER: Sure. I'll start and I'll pass it  
18 on to Danielle too. But it's a very good question,  
19 because whenever you audit another actuarial firm's work  
20 or an actuarial system in this case, because you have your  
21 own actuarial office, there's always going to be  
22 differences in the calculations. The calculations are so  
23 complex and cover so many different things that we're  
24 always going to see differences. The question is are at  
25 they material? Are they important.

1           And so we -- two different things happen when we  
2 identify things that are greater than five percent  
3 discrepancy. One is we immediately worked and  
4 communicated with CalPERS staff. We want to get to the  
5 bottom of it and we want to do it in a collaborative  
6 fashion, and then, two, is we dive into the details of  
7 what might be causing the differences. And I'll let  
8 Danielle talk about that.

9           DANIELLE CRUME: Yes. We would use test lives to  
10 drill down into the individual calculations on a member  
11 level and determine from there where the discrepancies lie  
12 and extrapolate from there for the other plans.

13           And in terms of collaboration, I feel that we'd  
14 be particularly suited to that, because of my experience  
15 having worked with CalPERS. Being on the other side  
16 working with the auditors, I found that most of those  
17 differences result from having to communicate in more  
18 detail the CalPERS methodology and being able to resolve  
19 that.

20           COMMITTEE MEMBER PACHECO: Thank you

21           CHAIR COHEN: All right. Our next question is  
22 Kevin Palkki.

23           COMMITTEE MEMBER PALKKI: Thank you, Madam Chair.

24           How does your experience having worked with or  
25 not worked with CalPERS in the past provide a competitive

1 advantage, how would you leverage this competitive  
2 advantage to our benefit, and describe potential  
3 challenges and how you would overcome them?

4 BRAD RAMIREZ: Well, yeah, I mean, I --  
5 personally, I can't say that I have worked directly with  
6 CalPERS that much, so I'm sort of the outsider here, but  
7 my colleagues have worked with CalPERS, in fact, worked,  
8 you know, for CalPERS. So they come at it with the  
9 advantage of knowing a baseline level of how the benefits  
10 are calculated, how your systems operate, how your  
11 actuaries calculate things. So coming in with that  
12 baseline level, it will probably make, you know, I'll  
13 speak for you, it will probably make things easier going  
14 into the process, because when we start going in, we kind  
15 of have a baseline of knowledge that another firm may have  
16 to come in and say, you know, we ask a lot of questions  
17 that we may not need to ask.

18 TODD TAUZER: Yeah. So to add to this, it's  
19 interesting, most systems aren't as big as CalPERS, and so  
20 they're going to hire their own consulting actuary to do  
21 the regular valuation work, and then they're going to hire  
22 a second consulting actuary to audit the consulting  
23 actuary that's doing the regular valuation work. Not true  
24 with CalPERS, but that's how we usually see these things  
25 happen.

1           In talking about it, it's usually the case that  
2 the consulting actuary, very importantly to have  
3 continuity. You have the understanding of where things  
4 have come from, what's happened with the benefits, what's  
5 happening with the members, what's been the Board's goals  
6 over time, and how are we implementing that.

7           On the auditing side, it's a different story  
8 though, and I'm sure you've heard the term, "Fresh set of  
9 eyes," that's often used when talking about an audit.  
10 It's interesting, because when an auditor comes in and  
11 if -- and if -- I'll just use us as an example. If we've  
12 audited the plan two or three times before, all of a  
13 sudden, we can actually offer to do it for a lot less  
14 money, because we've already built in the programming.  
15 The calculations is all already there. We just have to  
16 take the data and throw it in again and see if the results  
17 are reasonable and move on.

18           So all of a sudden it's a much more simple  
19 exercise and we can do it for a lot cheaper, if we've  
20 audited it two or three times before. But the question  
21 is, is that what you want in this case? Do you want it to  
22 be a quick exercise that can be very efficient in that  
23 context or do you want a new firm to come in where they  
24 have to look at the plan provisions, they have to build  
25 the calculations from the ground up and make sure those

1 are all correct, and then put the data -- layer the data  
2 on top of it and make sure the final outputs are also  
3 correct. So it's a much more rigorous process in that  
4 sense, because everything has to be built from scratch.

5 So it's -- the term is thrown around, "A new set  
6 of eyes." I don't think it's just that simple. It's  
7 really a new set of complete calculations and a whole new  
8 framework that you're building in order to audit a system  
9 you've never done before. So that's when you get the most  
10 rigorous approach to understanding all the calculations  
11 and making sure they line up.

12 COMMITTEE MEMBER PALKKI: Thank you.

13 CHAIR COHEN: All right. Next question it comes  
14 from Ramón Rubalcava.

15 COMMITTEE MEMBER RUBALCAVA: Thank you.

16 What is the principal's actuarial experience with  
17 State pension plans, describe his or her's experience  
18 auditing pension plans, including length of time and size  
19 of plans?

20 TODD TAUZER: Well, I guess that one is for me as  
21 principal.

22 (Laughter).

23 TODD TAUZER: Thank you. So I think this is a  
24 fascinating question. And I may sound a little -- a  
25 little full of myself in the answer, but I do believe that

1 my experience in looking at pension plans is different  
2 than any other consultant that exists in the -- in the  
3 United States today, and I'll tell you why.

4 Reason number one is I worked for CalPERS as a  
5 staff actuary including a Senior Pension Actuary for  
6 almost 10 years. So that's experience number one. Number  
7 two is I went into an entirely different world, the world  
8 of public finance. I worked for S&P Global Ratings. As I  
9 mentioned, they hired me to evaluate public pension plans  
10 across the United States. Looking at what kind of  
11 policies do they have in place, what kind of decisions,  
12 what kind of experience happened in the past that's led to  
13 where they are today, what kinds of things are they doing  
14 today, and what will that lead to in the future?

15 And that's funding position, that's investment  
16 policies, that's investment returns over time, that's  
17 governance structures. That's the whole gamut that we're  
18 looking at. So I had a team of over a hundred municipal  
19 analysts that I taught the key mechanics and the key risk  
20 factors for pension plans. And then we looked out and  
21 evaluated all state plans in the United States. So I can  
22 say I've looked at every single state plan. Now, that  
23 doesn't mean I've done an actuarial audit for all. That  
24 would be a bit much to do, but we've reviewed every single  
25 State plan in the United States.

1           And then finally in the last six years, working  
2 for Segal now on the consulting side, I have this  
3 experience of actually going out and doing actuarial  
4 audits as a consulting actuary, working for a state and  
5 local plans as consulting actuary. And so you have this  
6 very unique perspective. Internal house actuary, as I was  
7 at CalPERS, actuary in charge of public finance analysis  
8 of pension plans, and now on the consulting side, leading  
9 a team that looks at over 120 different retirement plans  
10 across the United States. So that's my experience as a  
11 principal, looking at retirement plans, looking at large  
12 plans, looking at State plans, all of the above.

13           COMMITTEE MEMBER RUBALCAVA: Thank you.

14           CHAIR COHEN: All right. Next question is  
15 Mullissa Willette.

16           COMMITTEE MEMBER WILLETTE: All right. Thank  
17 you, Controller. Thank you.

18           My question is how engaged will the principal  
19 actuary be with the work on our plan and will the key  
20 people in the proposed contract be assigned to CalPERS for  
21 the life of the contract?

22           TODD TAUZER: Yeah. So I'll start with that as  
23 well. I dare say, we'll be very engaged and I will be  
24 very engaged as the principal. I feel still -- I mean, I  
25 worked longer for CalPERS than I have at any other place.

1 It still feels like a home to me. Very interested in the  
2 success of what CalPERS is doing, and the mission, and the  
3 values that you have, and the serving of your members. I  
4 live in Davis, California. It's a 20-minute drive away.  
5 I'm very accessible to get here at any time needed in  
6 person, not just via phone. So I'm accessible in that way  
7 as well.

8 And the rest of the team that we have is also  
9 quite dedicated. Danielle has spoken about her  
10 experience. She just joined us, what, three or four  
11 months ago, and before that worked at CalPERS. And so  
12 she's very interested in lending her expertise to the team  
13 and having the perspective of both sides now. And as I  
14 mentioned before, Max and Anna were the two other folks on  
15 the proposal. They are our state team in the west. And  
16 so they just -- specifically just finished replication and  
17 review of CalSTRS experience study, replication and review  
18 of all CalSTRS plans. They just did that and now they  
19 have the capacity to do more work. And so that's what  
20 we're talking about here with CalPERS. So this team is  
21 set very purposefully to be the best team we could put  
22 together for the services to provide to CalPERS.

23 Any other thoughts?

24 BRAD RAMIREZ: No. I'm hoping that they are  
25 going to be very active, because their experiences will be



1 invaluable in this -- in this process and doing the audit  
2 as I mentioned before. So, yeah, we're going to hold them  
3 to it.

4 TODD TAUZER: Yeah. One last final thing on our  
5 team is not only do we work for Nevada PERS and Colorado  
6 PERA, kind of sister systems, if you will. And we just  
7 finished auditing CalSTRS. We also, in the last few  
8 years, this same team has reviewed the three largest plans  
9 in State of Arizona, all actuarial audits as well. So in  
10 the surrounding area, we have a lot of depth and expertise  
11 in doing this in the last five years.

12 CHAIR COHEN: All right. Well, here is your last  
13 question. Could you please describe to us your firm's  
14 culture and values? We particularly want to hear about  
15 the aspects of your culture -- your firm's culture and  
16 values and how they align with the CalPERS culture and  
17 values.

18 BRAD RAMIREZ: Well, first off, I think, you  
19 know, we do have a cultural sort of statement that's  
20 promulgated throughout the company. And the idea is that  
21 we are here to do one simple thing and that's give trusted  
22 advice that improves lives, because ultimately what we're  
23 doing is, you know, we're dealing with pension funds --  
24 very large pension funds that serve millions and millions  
25 of people. And ultimately, it's about these, you know,

1 pensioners of which my mom is one and one of our clients.  
2 When she goes to the mailbox, there's a check there. And  
3 that's ultimately what we're trying to do.

4 And so I think that's -- you know, when you look  
5 at it that way, you know, it sort of gives us more --  
6 culturally, it gives you -- it gives us kind of a  
7 guidepost into how we -- how we react and how we work.  
8 The other element of that is we do have a robust DEI  
9 policy. Even before DEI was a thing, when we were founded,  
10 our founder, Marty Segal, was very clear that Segal would  
11 have -- would be a place where, you know, people were  
12 welcomed. People were respected. We've actually done a  
13 lot of work in the last few years on our DEI program. We  
14 have a structured DEI Program in place. We actually  
15 produce a DEI report every year that is shared amongst the  
16 partners. And we have clear goals that we're trying to  
17 achieve and measure going forward, so that we can, you  
18 know, become more diverse and inclusive.

19 You want to add anything else?

20 TODD TAUZER: Yeah, I -- that report we started  
21 maybe five or so years ago. And the point of the report  
22 was not to just boast, like look how great we are at Segal  
23 and DEI. The report was to identify areas of weakness and  
24 then have measurable statistics. How do we improve year  
25 over year on those particular areas of weakness?

1           You'll see across the actuarial profession, it is  
2 not equal representation of all kinds of parties involved,  
3 just by past history and nature of it, or whatever you  
4 want to say. So we're working year over year to improve  
5 upon that at Segal. So we have metrics on workforce  
6 composition, various metrics, management composition, even  
7 our own internal Board -- our Board composition. And we  
8 look at those metrics year over year and we're always  
9 looking for improvement. So I think that's important to  
10 note.

11           We also have a culture where we've always wanted  
12 to from our employees and see how they want us to be  
13 build. It's not just a top-down, management says this is  
14 what we're going to do, so we're going to do it. It's  
15 what do the employees find to be most valuable and how can  
16 Segal help support that?

17           So we have -- we've built something called,  
18 "Candid Conversations," where anyone can come and bring a  
19 topic that they want to talk about related to their own  
20 identity, related to the company, whatever it is, and then  
21 have a robust discussion with the rest of the  
22 organization, that -- again a candid conversation with the  
23 rest of the organization. We have -- we call a Business  
24 Leadership Groups -- or Business Resource Groups, BRGs,  
25 which starts with the employees, but it's the support of

1 any cause that employees feel valuable.

2 Well, one example is our Woman's Leadership  
3 Group, which is a group that was established by employees.  
4 And they've been -- they've reached many people across the  
5 United States in terms of bringing them in, and having  
6 them be guest speakers, and having they'll empower folks  
7 at Segal. Just one example of many that we work on.

8 But we do truly feel that our core mission and  
9 values at Segal aligns very well with CalPERS. And that  
10 might be evidenced by the fact that two out of the three  
11 of our team actually came from CalPERS and still found a  
12 good resting place at Segal.

13 CHAIR COHEN: All right. Colleagues, there's a  
14 few minutes left. Any other questions?

15 Yes. Okay. We've got one from Jose Luis  
16 Pacheco.

17 COMMITTEE MEMBER PACHECO: Thank you, Madam  
18 Chair. Yes. Yes, sir. I'd like to ask you a question  
19 about -- back to number one, about your independence  
20 philosophy. What is your philosophy of being able to  
21 maintain independence while you are providing the  
22 actuarial services necessary?

23 TODD TAUZER: Yeah. So the philosophy -- let's  
24 just say it straight. The Philosophy is we're hired by  
25 the Board to do a particular job. And that job is to

1 review, and replicate, and determine if there are any  
2 issues in the actuarial valuation process. So that is our  
3 mandate from the Board and that's what we're going to  
4 accomplish.

5 But along the way, we absolutely have to work  
6 with staff. It doesn't mean that we collude with staff,  
7 but we have to work with staff and communicate and work  
8 together. There was another question about any time  
9 there's a difference of more than five percent, what do we  
10 do about it? We'll, we're going to be investigating on  
11 our end, but we're also going to be communicating with  
12 staff and working back and forth, and passing notes on --  
13 Danielle mentioned specific test lives, where we go line  
14 by line through the data and see where it doesn't much up.  
15 You've got to collaborate with staff in order to be able  
16 to do that and do that right.

17 But at the end of the day, our independence is  
18 that we're hired to do a particular job, and that is to  
19 ensure the sound and sustainable funding of the plan. And  
20 we're going to do that, whether or not we find  
21 discrepancies along the way related to staff's work.

22 COMMITTEE MEMBER PACHECO: Thank you.

23 CHAIR COHEN: All right. Seeing no other  
24 questions -- oh, there is one. Frank Ruffino.

25 ACTING COMMITTEE MEMBER RUFFINO: Yeah. Thank

1 you, Madam Controller. Just well quick. Mr. Tauzer, I  
2 believe -- I want to make sure I understood you correctly.  
3 One of your response you made reference to doing an audit  
4 quote, "cheaper than others." What does that mean? Can  
5 you clarify?

6 TODD TAUZER: So when we perform actuarial audits  
7 and we're hired to do it multiple times in a row, we  
8 usually can charge less for the subsequent audits, because  
9 the very first time you have to build all of the  
10 programming from scratch. And it is a lot of work. It  
11 takes hours, and hours, and hours of time. It takes a lot  
12 of work. The next time around, we've already built it  
13 all. We under -- we've built the benefit structures.  
14 We've built the plan provisions. We have it all in there,  
15 so then we just have to take the new data from staff, put  
16 it in there, and then see if there's any discrepancy in  
17 results.

18 So it's a lot easier the second time around and  
19 the third time around, which is why we can often charge  
20 less, if we're doing the same audit over and over again,  
21 compared to the first time where it all has to be built  
22 from scratch. If you're building it from scratch, a lot  
23 more time and effort, which means a lot more cost is  
24 involved.

25 ACTING COMMITTEE MEMBER RUFFINO: Okay. Thank

1 you for clarifying. Thank you, Madam Chair.

2 CHAIR COHEN: My pleasure.

3 Colleagues, any other questions?

4 All right. We've got a little over a minute.

5 Would you like to say anything? Your last remarks.

6 TODD TAUZER: Yeah. Well -- either of my  
7 colleagues.

8 BRAD RAMIREZ: Go right ahead.

9 TODD TAUZER: They've all -- so one thing I would  
10 like to say, yeah, we talked a bit about our dedication to  
11 the state of California, and how many retirement plans  
12 along with cities and counties that we work on in the  
13 state of California.

14 I do want to mention, Segal is also involved in  
15 the leadership in the state of California as well. I  
16 mentioned briefly the California Actuarial Advisory Panel  
17 and how I'm a representative on that panel -- and elected  
18 or nominated by the Speaker of the Assembly. But it does  
19 more than that as well. For example, I am also the Chair  
20 of -- the public finance world has a community in  
21 California. It's called the California Society of  
22 Municipal Analysts. I'm the Chair of the Board of that.  
23 So I'm not only their pension expert, but I'm the Chair of  
24 their board, and I help -- I help, you know, Moody's, and  
25 S&P, and Fitch and the banking -- bankers, and all those

1 that are involved in public finance understand what's  
2 going on in public pensions for a day-to-day basis.

3 Finally, I'll mention we're also involved in the  
4 legislative analysis. For example, there was recently a  
5 bill, AB 1383, which could have definitely affected the  
6 costs and calculations of members' benefits here in  
7 California.

8 We did analysis on all of that for all the county  
9 plans along with analysis for the California Actuarial  
10 Advisory Panel and provided information on all of that.  
11 So we're very involved in California specifically. We  
12 know what's going on here on the legislative side, on the  
13 benefits side, and we think that would be a great  
14 advantage, if we were to be hired to do the audit.

15 CHAIR COHEN: All right. All right. Well, that  
16 concludes this portion of our discussion. Thank you very  
17 much for your time and your presentation, and you guys are  
18 dismissed.

19 TODD TAUZER: Thank you.

20 BRAD RAMIREZ: Thank you very much.

21 DANIELLE CRUME: Thank you.

22 Okay. Committee members, we will now determine a  
23 single consensus score for each of the finalists, via a  
24 motion and open the floor for discussion.

25 SENIOR ATTORNEY CARLIN: Madam Chair.



1 CHAIR COHEN: Yes.

2 SENIOR ATTORNEY CARLIN: Robert Carlin from the  
3 CalPERS Legal Office. I just wanted to set the table, if  
4 you will, for the Committee, so that you take full  
5 appreciation of your role in this process and where we're  
6 at.

7 So the firms have all presented now their  
8 interviews. They've all received technical scores  
9 already, as well as points for their fees. So the Board  
10 right now has 500 points allocable towards this firm's  
11 outcome, and the firm with the highest overall score will  
12 be the winner.

13 I just wanted to go through the scores really  
14 quickly so you had those handy for you. Gallagher  
15 currently has 511 points going in. Cheiron has 493.2.  
16 GRS has 481.49. Segal has --

17 CHAIR COHEN: I'm sorry, back up. Gallagher had  
18 what?

19 SENIOR ATTORNEY CARLIN: I'm sorry. I'm sorry.  
20 Gallagher has 511.

21 CHAIR COHEN: Okay.

22 SENIOR ATTORNEY CARLIN: Cheiron has 493.2.

23 CHAIR COHEN: Yes.

24 BOARD CLERK ANDERSON: Robert. Robert. Robert,  
25 I'm sorry. We are live right now, is that okay?

1 SENIOR ATTORNEY CARLIN: Yes. Yes. That's fine.

2 BOARD CLERK ANDERSON: Okay. Just making sure.

3 SENIOR ATTORNEY CARLIN: Thank you. I appreciate  
4 you letting me know. We're good. We are good.

5 CHAIR COHEN: GRS?

6 SENIOR ATTORNEY CARLIN: GRS has 481.49. Segal  
7 has 428.61. And Milliman has 417.37. So I just wanted  
8 the Committee to have that information at their  
9 fingertips.

10 And for as far as next steps, you don't have to  
11 necessarily have a motion on the floor. You can have an  
12 informal discussion right now amongst yourselves to sort  
13 of see where you're all at, and then a motion can be made  
14 or you can start with a motion. You have a lot of  
15 flexibility for how you proceed with this right now. And  
16 I'm happy to take any questions. And if there's none,  
17 I'll leave with the Committee to be begin their  
18 discussion.

19 CHAIR COHEN: Yes. One more question. What was  
20 Segal?

21 SENIOR ATTORNEY CARLIN: Segal was 428.61.

22 CHAIR COHEN: Okay. All right. Colleagues, how  
23 are you feeling? Are you ready to go in and start  
24 deliberate or do you need a break?

25 COMMITTEE MEMBER PACHECO: Restroom.

1 CHAIR COHEN: A bathroom break. Okay. We're  
2 going to take -- we're going to take a 10 minute bathroom.  
3 Okay. It's 2:18. We will reconvene at 2:28.

4 Thank you.

5 (Off record: 2:17 p.m.)

6 (Thereupon a recess was taken.)

7 (On record: 2:29 p.m.)

8 CHAIR COHEN: Let's go ahead and reconvene. It's  
9 2:30. We are in the deliberation section of our agenda.  
10 We've heard from five companies. Now, as Committee  
11 members, we'll determine a single consensus score for each  
12 finalist via a motion and open the floor for discussions.

13 I don't see any names on the list, but I'll let  
14 you guys start to think about. Okay, we'll start with  
15 Ramón Rubalcava.

16 COMMITTEE MEMBER RUBALCAVA: Well, I had a  
17 question for staff.

18 CHAIR COHEN: Okay. Go ahead.

19 COMMITTEE MEMBER RUBALCAVA: I know we -- Paul  
20 gave us a total number, but I know that the -- huh. Okay.  
21 Because it -- that number breaks -- I know there was one  
22 for -- like one is for, I forgot the term, I'm looking for  
23 my agenda item, but one was for cost, and then you -- then  
24 I think there's three elements. So I was wondering if you  
25 could give us the numbers for the competency or the --

1 what -- how did staff rate them on the -- oh, what is it?  
2 Technical score, that's it. Technical score. I know  
3 there's a technical score. Then there's a key proposal  
4 score and then there's an incentive. But I'm just --  
5 quite frankly, I'm just wondering on the technical score  
6 how they scored -- all of them scored.

7 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION

8 CHIEF HEEB: Yes. I can take that. Justin Heeb, CalPERS  
9 team member. The technical scores for each firm are as  
10 follows: 179 points for Cheiron, GRS received 165 points,  
11 Gallagher 161 points, Milliman 163 points, and Segal 179  
12 points. Those were the technical scores.

13 COMMITTEE MEMBER RUBALCAVA: Thank you for doing  
14 that, because one of the comments I had was -- I was  
15 one -- both Milliman and Segal rated sort of the lowest in  
16 the total scoring. And I was -- I'm assuming -- I guess  
17 it was corrected. It was not because of technical scores.  
18 It was part of the fee proposal. Because just so people  
19 know where I'm at, I thought -- I was impressed with  
20 Segal, and I was impressed with Cheiron. Interesting name  
21 to pronounce.

22 COMMITTEE MEMBER WILLETTE: Cheiron.

23 COMMITTEE MEMBER RUBALCAVA: Cheiron. Thank you.  
24 Cheiron. And just to throw it out there. And I see the  
25 technical score raised it. I was not impressed with

1 Gallagher who's the current incumbent, right? I'm not --  
2 I was not on this Committee I don't think when the  
3 selection was made and I don't recall seeing their work,  
4 but I know their work, when it was Buck. But Buck was a  
5 lot smaller contender back in those days, as far as doing  
6 big plans. So anyway, so thank you for giving me those  
7 numbers.

8 But just to start the deliberation, I just want  
9 to let people know that based on the presentation, the  
10 clarifications -- and I'm glad people asked the  
11 clarifications, because I think it helped clarify some  
12 things that perhaps weren't clear to the Board, I would  
13 just -- they're all good persons, because they're all  
14 finalists, right? But I would rank them. I mean, my top  
15 three, I would say, would be Segal -- how do you pronounce  
16 that, Cheiron?

17 COMMITTEE MEMBER WILLETTE: Cheiron.

18 COMMITTEE MEMBER RUBALCAVA: -- Cheiron and  
19 Milliman in that order, or Milliman and Cheiron. They're  
20 both the same to me.

21 CHAIR COHEN: I'm sorry, you said Segal.

22 COMMITTEE MEMBER RUBALCAVA: Segal.

23 CHAIR COHEN: Cheiron.

24 COMMITTEE MEMBER RUBALCAVA: And Milliman.

25 CHAIR COHEN: Milliman.

1 COMMITTEE MEMBER RUBALCAVA: Milliman.

2 CHAIR COHEN: Okay. Could you come back up? And  
3 you gave -- your read off a list of rankings. Could you  
4 read that again. We didn't catch them all.

5 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION  
6 CHIEF HEEB: Yes.

7 CHAIR COHEN: And one more question I had.  
8 The -- one of the other colleagues -- I don't know -- I  
9 don't even -- I'm not sure the name of this gentleman,  
10 gave off some numbers as well. Cheiron was ranking at  
11 493.2. Is that -- that is the total score and then what  
12 you are giving us are just the score for the technical.

13 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION  
14 CHIEF HEEB: Correct. The total score currently. And I  
15 was just giving the technical proposal scores. Those were  
16 then added to the fee score and the DVBE incentive points.

17 CHAIR COHEN: Okay. Can you give the technical  
18 scores one more time.

19 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION  
20 CHIEF HEEB: I can. Cheiron, 179 points.

21 CHAIR COHEN: Okay.

22 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION  
23 CHIEF HEEB: GRS, 165 points.

24 CHAIR COHEN: Um-hmm.

25 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION

1 CHIEF HEEB: Gallagher, 161. Milliman, 163 points, and  
2 Segal, 179 points.

3 CHAIR COHEN: And this is out of a total --

4 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION

5 CHIEF HEEB: Of 200 --

6 CHAIR COHEN: Thank you.

7 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION

8 CHIEF HEEB: -- technical points.

9 CHAIR COHEN: Thank you. And these -- this  
10 scoring is the scoring reflected by the staff.

11 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION

12 CHIEF HEEB: Correct. The actuarial office had an  
13 evaluation team --

14 CHAIR COHEN: Um-hmm.

15 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION

16 CHIEF HEEB: -- that went through all the proposals and  
17 provided the technical scores based on the criteria set  
18 forth in the RFP.

19 CHAIR COHEN: All right. Thank you.

20 Okay. We're going to next hear from Mullissa  
21 Willette.

22 COMMITTEE MEMBER WILLETTE: All right. Thank  
23 you. Thank you, Controller. Thank you, staff, for the  
24 work that's gone in this far. I know a lot of work goes  
25 into reviewing these proposal, ranking these proposals,

1 grading these, what do you call it? And I just really  
2 want to thank the staff for doing that. I also want to  
3 thank the candidates and all those that we didn't here  
4 today that submitted requests -- or submitted the  
5 proposals for consideration. Again, a substantial amount  
6 of work just goes into those submissions. And I want to  
7 thank those that did that and thank those that joined us  
8 here in Sacramento on a, you know, beautiful Monday  
9 morning to present.

10 I thought all of the presenters did a great job.  
11 I was really impressed with the presentations, the depth  
12 of knowledge that was exhibited. Of course, I'm not an  
13 actuary expert, so I'm not going to say I go off of vibes,  
14 but there are some intangibles, and I really delved into  
15 the culture questions that were asked and the responses  
16 given, et cetera.

17 I would say that my top two contenders, based on  
18 the ranking system I, you know, observed, were Cheiron and  
19 Milliman.

20 CHAIR COHEN: Yes. You have a follow-up  
21 question.

22 ACTING COMMITTEE MEMBER RUFFINO: Just a  
23 clarification.

24 CHAIR COHEN: Please, go ahead.

25 Just a minute. Let me acknowledge you, Frank.



1 Hold on.

2 Go ahead.

3 ACTING COMMITTEE MEMBER RUFFINO: Thank you,  
4 Madam Chair. Just a clarification.

5 COMMITTEE MEMBER WILLETTE: You're not on yet.

6 CHAIR COHEN: Okay. Try, Frank.

7 ACTING COMMITTEE MEMBER RUFFINO: Yep. Thank  
8 you. Mullissa, just to clarify. I did not understand.  
9 Do you have like a first or second or just you're putting  
10 both.

11 COMMITTEE MEMBER WILLETTE: Correct. I had a  
12 first and second. My first was Cheiron. My second was  
13 Milliman.

14 ACTING COMMITTEE MEMBER RUFFINO: Thank you.

15 CHAIR COHEN: Okay. Next speaker will be David  
16 Miller.

17 Oh, excuse me. I'm sorry. Jose Luis Pacheco, I  
18 think you were next. I'm sorry. I can't --

19 CHAIR COHEN: I can't -- he's not in the queue,  
20 so can somebody --

21 COMMITTEE MEMBER PACHECO: I'm right here. I'm  
22 back on.

23 CHAIR COHEN: Okay. There you are. Go ahead,  
24 sir.

25 COMMITTEE MEMBER PACHECO: Just a point of order.

1 Are we supposed to now have a second on this or am I -- am  
2 I supposed to discuss? I'm a little confused by the  
3 process. Thank you.

4 CHAIR COHEN: I'll answer this question. What  
5 we're doing is we're able to discuss. And in the -- under  
6 the form of discussion, some members have decided to rank  
7 their top two choices --

8 COMMITTEE MEMBER PACHECO: Oh, I see.

9 CHAIR COHEN: -- to lead and to frame their  
10 discussion and their position. So you can discuss about  
11 anything that you want to discuss.

12 COMMITTEE MEMBER PACHECO: Oh, I see. Now, I  
13 understand.

14 CHAIR COHEN: But you don't have to rank.

15 COMMITTEE MEMBER PACHECO: Okay. Very good then.  
16 So, yeah, so I would like -- thank you for the  
17 clarification. I appreciate that very much.

18 So, with respect to what I -- I also want to  
19 thank staff -- first of all, thank staff, and thank the  
20 candidates for their work. I think it's been a lot of --  
21 a lot of work to put this together. I know that I believe  
22 the proposals were due a couple weeks ago. And it took  
23 a -- took a while to put everything together, and quite  
24 quickly. And I really thank -- I want to thank your time  
25 and effort putting all that together. It is very, very

1 appreciated for us as well.

2 And I -- and I also want to thank the candidates,  
3 especially the ones that weren't able to make it through  
4 the process. At least they submitted a proposal and we --  
5 and we vetted them and so forth.

6 So with respect to that, I would like to -- in my  
7 opinion, you know, based on what I've seen and what I  
8 heard -- and I really did appreciate all the speakers, all  
9 the persons that spoke to us, but what really -- the  
10 particular firms that called me out were -- was Segal and  
11 Cheiron.

12 And the reason why I liked Cheiron was I -- they  
13 said a statement there that was quite interesting. It  
14 says, you know, we have a hands-on approach. And I also  
15 was very impressed when I asked them the questions about  
16 independence, in terms of how they would look at things.  
17 You know, they're hired by the Board. They would, you  
18 know, be -- they would ask good questions, and they would  
19 be thorough in their work.

20 I also felt the same way with respect to Segal,  
21 in terms of their understanding of their -- innate  
22 understanding of our CalPERS system and providing them  
23 that domain expertise that they already have in place at  
24 their firm with respect to how our complicated system  
25 works.

1           So with respect to that, I would rank the --  
2 Segal first and then Cheiron second. Thank you.

3           CHAIR COHEN: Okay. Colleagues, any other  
4 discussion?

5           David Miller.

6           VICE CHAIR MILLER: Yeah. I'm -- I did a little  
7 bit more comprehensive kind of communication that I can  
8 make. But what I would say the way I looked at it was  
9 each question I kind of tracked answers to each question.  
10 And what I found when I look at my summary is that I had  
11 Segal as the top performer or one of the top one or two  
12 performers for pretty much every question. But I also had  
13 Gallagher performing at the top of a couple questions.  
14 And I had Milliman on -- I mean, one. And when I gave the  
15 points out, they ranged from like 320 for Gabriel on up to  
16 like 480 for Segal. So from top to bottom, mine ended up  
17 being Segal, Gallagher, Milliman, Cheiron, and Gabriel.  
18 So that's kind of where I ended up with points with 480 at  
19 the top for Segal and 320 at the bottom for Gabriel.

20           CHAIR COHEN: And you said Cheiron was your  
21 middle?

22           VICE CHAIR MILLER: Cheiron was at 360. They  
23 were almost the second from the bottom.

24           CHAIR COHEN: Okay. Tell me, what is your top  
25 two choices?

1 VICE CHAIR MILLER: Top two in scoring, Segal and  
2 then Gallagher, and Milliman closely following Gallagher.

3 CHAIR COHEN: Okay. Just for record keeping,  
4 this is what I have so far. I've got Mullissa Willette  
5 with Cheiron and Milliman. I've got JP with Segal and  
6 Cheiron. I've got David Miller with Segal and Gallagher  
7 as the top two choices. All right.

8 Anyone else have any discussion?

9 All right. Kevin Palkki, you're up.

10 COMMITTEE MEMBER PALKKI: Thank you, Madam Chair.  
11 I am sort of new to this whole process. I won't be one to  
12 admit it myself. And so when looking at this, I try to  
13 keep the core values of CalPERS in my forefront. And just  
14 based off of that, my top two -- without sugar coating  
15 anything, my top two are Cheiron and Milliman.

16 CHAIR COHEN: Okay. Any other discussion?

17 I don't see any other names.

18 No.

19 Okay. All right. I'm going to recognize  
20 Mullissa Willette.

21 COMMITTEE MEMBER WILLETTE: Thank you. I  
22 admitted this from early statement, but I do want to just  
23 also say to all the firms and those that spoke, I  
24 appreciated the recognition that everyone gave to  
25 diversity, equity and inclusion in their work. It's

1 important that we have the diversity of thought and  
2 bringing it forward. And in this industry, diversifying  
3 this industry is really important, as all industries. And  
4 I'm really just grateful that people are thinking about  
5 that. And I just want to thank the candidates for that.  
6 Thank you.

7 CHAIR COHEN: All right. Thank you. Anyone  
8 else?

9 All right. If I were to rank my choices, I liked  
10 Cheiron as the first choice, and I liked Segal as a second  
11 choice. So, as of right now, there are one -- this is an  
12 informal straw poll, okay, folks? So not everyone is in  
13 this, but I want to give you some direction on where we  
14 are.

15 We've got Cheiron having three first position --  
16 first choice position and Segal having two. And then the  
17 number two position -- okay. Who's the third? Who am I  
18 missing? I've got Willette, JP, Miller, Palkki, and  
19 Cohen. Oh, I didn't have you, Ramón. Ramón, what was  
20 your first choice?

21 COMMITTEE MEMBER RUBALCAVA: Segal.

22 CHAIR COHEN: Okay. And your second

23 COMMITTEE MEMBER RUBALCAVA: Cheiron.

24 CHAIR COHEN: Cheiron. Okay. Okay. So, just  
25 let me amend that. In first choice, we've got one, two,

1 three Cheiron, and then three Segal. And number two  
2 choices, we've got two for Milliman, two for Cheiron, one  
3 for Segal, and one for Gallagher. So, we're kind of all  
4 over the place when it comes to the second choice, but  
5 there seems to be more consensus around Cheiron and Segal  
6 for the first and second choices.

7 All right. So would you like to start to narrow  
8 it down between those top two? Are we comfortable doing  
9 that? Do you think that's a good idea?

10 COMMITTEE MEMBER RUBALCAVA: I would support  
11 that.

12 CHAIR COHEN: You would support that. Okay. So  
13 does there need to be anymore public deliberation or  
14 questions that you want to ask staff?

15 No. All right. Would you like to --

16 VICE CHAIR MILLER: Question.

17 CHAIR COHEN: Okay. We have a question for staff  
18 from Mr. Miller.

19 VICE CHAIR MILLER: Now, we have to determine  
20 stores for everyone, right, yeah?

21 SENIOR ATTORNEY CARLIN: Correct, yeah.

22 CHAIR COHEN: Okay. Thank you for that reminder.  
23 All right. Well, does staff have a recommendation on the  
24 best way or a suggested way to score this.

25 SENIOR ATTORNEY CARLIN: I would suggest someone

1 puts forward a motion with scores for all five, if  
2 possible. That would be the cleanest way to do it? And  
3 then you could discuss it further and refine it.

4 CHAIR COHEN: Okay. And when you say scores, do  
5 you mean, a ranking, like a first --

6 SENIOR ATTORNEY CARLIN: Numerical.

7 CHAIR COHEN: Numerical score.

8 SENIOR ATTORNEY CARLIN: Like out of 500 points,  
9 this many for this firm, that many for that firm, and so  
10 on

11 CHAIR COHEN: Okay.

12 SENIOR ATTORNEY CARLIN: You could -- you could  
13 start with your top two choices if you wanted to. It  
14 doesn't have to be all five at once, but the ultimate  
15 motion -- I mean, we could even split it up in theory, but  
16 we need to have scores assigned to each of the firms at  
17 the end of the day, in order for staff to process, do the  
18 calculations, and come back to you with the overall  
19 winner.

20 CHAIR COHEN: Okay. I understand. Okay. We're  
21 going to entertain. First of all, we're going to have  
22 some discussion. We've got Mullissa Willette and then  
23 we'll get to you. Okay.

24 COMMITTEE MEMBER WILLETTE: Sorry. I wanted to  
25 offer a scoring methodology based on what we heard in the



1 straw poll. One point for each first place and a half  
2 point for each second place, which would give Cheiron a  
3 score of 4, Segal a score of 3.5, Milliman a score of 2,  
4 Gallagher a score 0.5, and GRS, Gabriel, a score of 0.

5 SENIOR ATTORNEY CARLIN: And just -- sorry, just  
6 to clarify. The total point -- we could multiply that by  
7 a hundred for each to yield the ultimate points, but it's  
8 going to be like 450 points, 350 points, 0 points as the  
9 ultimate number. I just wanted to make that clear. I'm  
10 sorry.

11 COMMITTEE MEMBER WILLETTE: Sure. We could do  
12 hundreds and fifties and -- yeah. It would 400, 350, 200,  
13 50, and 0.

14 CHAIR COHEN: Just One minute please. So  
15 Mullissa, I just want to make sure I heard you. I heard  
16 Cheiron at 4. I heard Segal at 3.5, is that right?

17 COMMITTEE MEMBER WILLETTE: Correct.

18 CHAIR COHEN: And then I heard who at --

19 COMMITTEE MEMBER WILLETTE: Milliman at 1,  
20 gallagher at 0.5.

21 CHAIR COHEN: And the fifth one was?

22 COMMITTEE MEMBER WILLETTE: Did not receive any  
23 points, so we could give it a nominal point, and then we  
24 could multiply by a hundred.

25 CHAIR COHEN: Right. All right. Next, I want to

1 recognize Jose Luis Pacheco. Jose, it looks like we still  
2 have one hand -- he wants to have discussion. So not  
3 quite a motion ready. All right. All right. Member  
4 Palkki, you're up.

5 COMMITTEE MEMBER PALKKI: Sorry. My apologies.  
6 We're giving 500 total or we're giving each up to 500?

7 SENIOR ATTORNEY CARLIN: Each up to -- I'm sorry,  
8 yes, each up to 500. That will be then added onto the  
9 scores that we already read out that they've already  
10 earned from the technical and fee proposals. That  
11 cumulative number will then determine who is the winner --  
12 ultimate winner of the procurement is.

13 COMMITTEE MEMBER PALKKI: Okay. Thank you.

14 CHAIR COHEN: All right. Next, we will have, oh,  
15 Ramón Rubalcava.

16 COMMITTEE MEMBER RUBALCAVA: Thank you. I want  
17 to thank Mullissa for sort of setting up the ranking. I  
18 would -- the only -- I just think that Segal should be  
19 ranked higher than fourth for two reasons. One, on the  
20 culture and value issue, they're the ones that said they  
21 had a robust DE&I before it was -- by the founder before  
22 it was even a thing he said. And they have a matrix.  
23 They said they're looking to improve, so I thought that  
24 was very important and other stuff. The whole thing about  
25 how they had a review process, Compliance Officer, or

1 something like that, and the communication -- thinking  
2 about, you know, how they dig down. I would support  
3 Mullissa's ranking, if Segal was at least third.

4 COMMITTEE MEMBER WILLETTE: I'm sorry, they're  
5 second

6 CHAIR COHEN: Segal is actually second.

7 COMMITTEE MEMBER RUBALCAVA: Oh, they're second.  
8 I misread it then.

9 COMMITTEE MEMBER WILLETTE: Yes, actually,  
10 they're second.

11 COMMITTEE MEMBER RUBALCAVA: Okay. I would be  
12 okay with that. I don't know where in the -- I think  
13 we're still discussing, but --

14 CHAIR COHEN: We are still discussing.

15 COMMITTEE MEMBER RUBALCAVA: But I'm okay with --  
16 I think they're all qualified, but, you know, I just want  
17 to make sure, you know, there's a reason for the ranking.  
18 I think as long as we can justify the ranking I'm okay  
19 with that.

20 CHAIR COHEN: All right.

21 COMMITTEE MEMBER RUBALCAVA: Yes.

22 CHAIR COHEN: Okay.

23 COMMITTEE MEMBER RUBALCAVA: Yeah, that's fine.  
24 I just didn't want Segal to be last, or 4th, or whatever.  
25 Yeah, I'm all right with that.

1 CHAIR COHEN: All right. Next, we'll hear from  
2 Mr. Miller. David Miller.

3 VICE CHAIR MILLER: It just seems to me that, you  
4 know, we've got 500 points to allocate and it seems like  
5 the performance of a number of them were much closer than  
6 if we just give some arbitrary value between ranks, rather  
7 than actually score based on having eight questions and  
8 the answers -- for quite a few of the questions, the  
9 answers were very similar. Their scores, in many ways, I  
10 think, would end up being closer. And I fear that it  
11 makes it appear like we're trying to game the thing if we  
12 just arbitrarily put them in ranks and assign big chunks  
13 of point per rank. I don't know. Just it doesn't seem  
14 like we're being particularly thoughtful as much as just  
15 expedient to get them, you know, out the door.

16 SENIOR ATTORNEY CARLIN: I would just note, I  
17 think the Committee has a lot of latitude in terms of how  
18 it wants to assign the points. So I think the point  
19 values should reflect your assessment of the firm. You  
20 don't have to stack rank them. So you could give two  
21 firms equivalent points, if you thought they were  
22 equivalent, but I think you have latitude. And I wouldn't  
23 say that the -- that what's on the floor is impermissible  
24 or improper. It's okay to do it that way or the way you  
25 suggested as well, Mr. Miller. Both ways are equally

1   okay.

2               VICE CHAIR MILLER:   Okay.   Thank you for that.

3               CHAIR COHEN:   I just have a question for staff.  
4   Is this the traditional way you make decisions on your  
5   consultant -- on how RFPs are awarded?

6               SENIOR ATTORNEY CARLIN:   When you say  
7   traditional, with respect to the Board and its committees?

8               CHAIR COHEN:   Not necessarily with the Board and  
9   Committee, but I mean this -- why can't we just say this  
10   is who we want?

11              SENIOR ATTORNEY CARLIN:   That's a great question.  
12   So the -- so you can't do that and staff can't do that  
13   either, the way we normally do this.   And we're following  
14   State contracting law when we engage in these processes.

15              CHAIR COHEN:   Okay.

16              SENIOR ATTORNEY CARLIN:   They have a certain  
17   minimum allocation that has to be assigned for the fee  
18   score, so that it's got -- it's meaningful, in terms of  
19   the overall assessment of a much firm.   And then there is  
20   typically technical points.   And if, in a situation, where  
21   we're doing interviews, points for the interview.   But we  
22   have to follow that process, because that is what will  
23   determine who the winner is.   So we don't -- the Board  
24   doesn't just have the ability to directly say it should go  
25   to X.

1 CHAIR COHEN: Okay.

2 SENIOR ATTORNEY CARLIN: But you have significant  
3 influence given you have 500 points between all of you to  
4 award to each of the firms

5 CHAIR COHEN: Can staff advise us on how they  
6 assigned the numeric value to the different companies?

7 SENIOR ATTORNEY CARLIN: With respect to the  
8 technical scoring or --

9 CHAIR COHEN: Yes, exactly, with the technical  
10 scoring. Like how did one company get -- I mean, and it's  
11 very technical. It's -- for example, we'll use Gallagher  
12 Benefit Services received 161 opinion for their technical  
13 proposal score, out of 500 points.

14 SENIOR ATTORNEY CARLIN: Oh, no. I'm sorry. The  
15 technical scoring is out of 200. So 300 -- so there's the  
16 500 points for the interview, there's 200 points available  
17 for the technical proposals, and then 300 points are  
18 determined based on the fee score. The firm with the  
19 lowest fees automatically gets the full amount of points  
20 and everyone else is ranked proportionally, so the most  
21 expensive ends up at the bottom.

22 CHAIR COHEN: Uh-hmm, I see. And this is the  
23 State's way of evaluating?

24 SENIOR ATTORNEY CARLIN: Precisely. It's  
25 intended to --

1 CHAIR COHEN: Be complicated?

2 SENIOR ATTORNEY CARLIN: Complicated.

3 CHAIR COHEN: Ridiculous.

4 SENIOR ATTORNEY CARLIN: You could call it  
5 somewhat bureaucratic --

6 CHAIR COHEN: Yeah, got it.

7 SENIOR ATTORNEY CARLIN: -- but it's got  
8 objective components and it's intended to foster  
9 competition and insert -- ensure that the best firm  
10 overall wins.

11 CHAIR COHEN: Okay.

12 SENIOR ATTORNEY CARLIN: That's the theory.

13 CHAIR COHEN: All right, colleagues. We're going  
14 to have to -- we're going to have to brush off our mathing  
15 skills, okay? We're going to have to rethink on how we  
16 are approaching this. I see a few names in the queue.  
17 I'm going to recognize Ramón Rubalcava.

18 COMMITTEE MEMBER RUBALCAVA: I didn't realize I  
19 was next. Yes, I would just -- to allocate numbers.

20 CHAIR COHEN: Yes, sir.

21 COMMITTEE MEMBER RUBALCAVA: So To follow the  
22 ranking that we have to do, I would go with --

23 COMMITTEE MEMBER WILLETTE: Cheiron.

24 COMMITTEE MEMBER RUBALCAVA: -- Cheiron with 465,  
25 Segal with 455 --

1 CHAIR COHEN: Wait, just a minute, please.

2 CHAIR COHEN: 465,

3 COMMITTEE MEMBER RUBALCAVA: 455.

4 CHAIR COHEN: Segal is 455.

5 COMMITTEE MEMBER RUBALCAVA: 455, 10 points  
6 under.

7 CHAIR COHEN: Okay.

8 COMMITTEE MEMBER RUBALCAVA: And likewise,  
9 Milliman would be 10 points under at 445 --

10 CHAIR COHEN: No.

11 COMMITTEE MEMBER RUBALCAVA: -- and then  
12 Gallagher and GRS both at 400.

13 CHAIR COHEN: I'm sorry, Gallagher is at what?

14 COMMITTEE MEMBER RUBALCAVA: Four hundred. And  
15 GRS is at 400 also, in my --

16 CHAIR COHEN: In your ranking world.

17 COMMITTEE MEMBER RUBALCAVA: Yeah

18 CHAIR COHEN: Your mindset.

19 Okay. Would you like to put some context around  
20 these numbers? How did you come up with them?

21 COMMITTEE MEMBER RUBALCAVA: I have to justify  
22 it, of course.

23 CHAIR COHEN: Yeah.

24 COMMITTEE MEMBER RUBALCAVA: Well, in my original  
25 ranking, I had Segal first, but -- and I still think



1 they're -- that's why I only have them 10 points away  
2 from -- but both -- you know, I would just let somebody  
3 else do that.

4 CHAIR COHEN: We can come back to you. That's  
5 not a problem at all.

6 COMMITTEE MEMBER RUBALCAVA: I was going to  
7 let -- that's -- I support that ranking, but --

8 CHAIR COHEN: We'll come back to you for the  
9 rationale.

10 Okay, Mr. Ruffino, you're up.

11 ACTING COMMITTEE MEMBER RUFFINO: Thank you,  
12 Madam Controller. Before I ask a question, and I  
13 apologize, we just got these numbers right now, so I'm  
14 trying to understand. With respect to the, not the  
15 technical score, but the fee -- the fee proposal, if I  
16 understood you correctly -- because Segal right now has  
17 got 199.61 versus Cheiron who's got 264.2. And these two  
18 seems to me, at this point during our discussion, they  
19 seem to be the top two. So is -- I was interpreting -- so  
20 I guess from your previous comment, does that means that  
21 Segal is the most expensive?

22 SENIOR ATTORNEY CARLIN: It does. And one, I  
23 think might be helpful point, just observing the  
24 discussion, I don't think that the Committee needs to  
25 necessarily go into exacting detail about why -- how they

1 arrived at a score. That's not required in this forum.

2 CHAIR COHEN: Okay.

3 SENIOR ATTORNEY CARLIN: It's sufficient for you  
4 to arrive at a score and make a motion for it. And  
5 you've -- I think you've already had a very robust  
6 discussion already about your views of each of the firms  
7 and their relative strengths. You can certainly continue  
8 to do it. I don't want to cut it short, but you should  
9 feel -- like Ramón should feel comfortable. He's spoken  
10 sufficiently to his view on this matter. And --

11 CHAIR COHEN: No need to quantify or qualify his  
12 numbers, his rationale?

13 SENIOR ATTORNEY CARLIN: Exactly. Yeah, unless  
14 he wants to. I want to certainly maintain any discussion,  
15 but --

16 CHAIR COHEN: Okay. Do you hear that Mr.  
17 Rubalcava. We'll accept it, although --

18 COMMITTEE MEMBER RUBALCAVA: Now, we're going to  
19 make things more complicated.

20 CHAIR COHEN: -- you remember in math class, you  
21 had to show your work.

22 COMMITTEE MEMBER RUBALCAVA: I'm going to make it  
23 more complicated now, because I'm reviewing my notes, and  
24 I know Segal is going to -- is the most expensive. And  
25 they probably have to get a lot of numbers to come out

1 ahead on the total valuation, but I do think they were  
2 stronger in the -- in the service provided, which is to  
3 audit another's -- to audit work to somebody -- you know,  
4 internal actuaries. And also, I thought they were very  
5 strong on the culture and very strong on the -- in the --  
6 understanding what the independence was, and the whole  
7 thing about collaborative, but not -- and the need to  
8 communicate, so --

9 SENIOR ATTORNEY CARLIN: And just to interject  
10 one more time, at the risk of speaking too much, you're --  
11 what you're scoring them on today is just on the  
12 interview.

13 COMMITTEE MEMBER RUBALCAVA: Right.

14 SENIOR ATTORNEY CARLIN: So, their relative --  
15 the fees are not something --

16 COMMITTEE MEMBER RUBALCAVA: Right.

17 SENIOR ATTORNEY CARLIN: -- that you're  
18 considering right now. It's a -- it's a fact before you  
19 and it's appropriate for you to know about it, but I just  
20 want to make sure you're clear what you're assigning  
21 points for right now is how did they perform in the  
22 interview, what was the substance of it, did you find them  
23 to be the firm that would best represent this Board and  
24 serve your best interests and our members.

25 COMMITTEE MEMBER RUBALCAVA: And based on that

1 thinking that I should not be looking at the price and --  
2 although, we -- it seems to be clear that they're highest  
3 and the probably will not get the contract because you  
4 have to add up everything, at least for this round, I do  
5 want to rank Segal as number one and Cheiron as number  
6 two.

7 CHAIR COHEN: Okay.

8 ACTING COMMITTEE MEMBER RUFFINO: Madam Chair, I  
9 didn't finish.

10 CHAIR COHEN: I know you didn't. Okay. I'm  
11 going to recog -- I'm going to recognize Frank Ruffino and  
12 then we'll get to you, JP.

13 ACTING COMMITTEE MEMBER RUFFINO: Thank you,  
14 again. I was not finished, but that's okay. Mr.  
15 Rubalcava jumped in.

16 And so the point I was trying to make, you know,  
17 the Segal was the cheapest, because they -- as I said,  
18 they were the only one that made a reference to being  
19 cheaper than others, because -- and I was trying to  
20 understand, you know, everything being equal how much  
21 should I -- should we weigh that commitment, public --  
22 that public commitment that they made today?

23 SENIOR ATTORNEY CARLIN: I think it's something  
24 you can consider. There was really just an articulation  
25 that the incumbent has a bit of an advantage over the new

1 entrants. You know, but -- and you can give that some  
2 weight certainly in your overall interview score, along  
3 with all the other answers that they provided to you.

4           ACTING COMMITTEE MEMBER RUFFINO: The only other  
5 quick observation that I would make is that certainly  
6 Segal demonstrated, or at least it appears that they have  
7 an excellent perspective on national-informed pension  
8 issues, and they are very involved in the leadership at a  
9 different level. And, of course, the fact that they have  
10 Todd and Danielle being ex-CalPERS employees, they have an  
11 inside understanding, and inside information that doesn't  
12 necessarily give them an edge, but they certainly have an  
13 understanding or perhaps a better understanding.

14           And I'm not sure -- that could be a value. It  
15 can also be -- it could work the other way around too, but  
16 just wanted to make that comment for whatever they're  
17 worth. But otherwise, I agree with some of the rest of  
18 the comments that have already been made. And with  
19 respect to Cheiron, I think Ms. Willette, I agree with  
20 you. I think that demonstrated that they are on top. And  
21 it shows, even on their technical scores, they're exactly  
22 tied, Segal and Cheiron. They're 179 and 179. That's it.  
23 Thank you, Madam Chair.

24           CHAIR COHEN: Thank you very much.

25           All right, JLP.

1 COMMITTEE MEMBER PACHECO: Just a -- just a point  
2 of order. So the ranking is 500 points for the interview  
3 or -- is that -- is that correct, sir?

4 SENIOR ATTORNEY CARLIN: Yes. They have a --  
5 they have 5 -- each firm has 500 points available and it's  
6 up to this Committee to assign each firm their score  
7 overall, of those 500 interview points.

8 COMMITTEE MEMBER PACHECO: Of those 500 interview  
9 points. And then that's based on your -- what you -- what  
10 you were listening to and the questions and so forth,  
11 correct?

12 SENIOR ATTORNEY CARLIN: Exactly. Their  
13 presentation, their responses to your questions, the  
14 information they volunteered, and then the points that  
15 this committee assigns will be given to staff. Staff will  
16 then tally those up with the technical and fee scores, and  
17 come back to you with whoever has the most points will be  
18 the winner.

19 COMMITTEE MEMBER PACHECO: Okay. Very good then.  
20 Thank you very much. That's -- that was what I wanted at  
21 point. Thank you.

22 CHAIR COHEN: All right. Is all this  
23 deliberation bringing clarity or not?

24 Yes. I'm seeing nods. Okay. Well, are we --  
25 one more thing. I just want to amend my choices. I went

1 on the record and said I was with Cheiron number one,  
2 Segal number two. I want to amend that to Cheiron and  
3 Milliman. Okay -- as second choice. Okay. Now, if you  
4 guys are ready to start to entertain some motions on  
5 rankings -- not rankings, but on score and valuation, just  
6 put your name on the list and I'll recognize you.

7 Kevin Palkki.

8 COMMITTEE MEMBER PALKKI: Thank you, Madam Chair.  
9 I would like to make a motion to approve Cheiron with the  
10 points of 500, Segal with the points of 500, Milliman with  
11 the points of 450, Gallagher with the points of 300, and  
12 GRS with the points of 100.

13 COMMITTEE MEMBER WILLETTE: Can you repeat that?

14 CHAIR COHEN: Yes.

15 COMMITTEE MEMBER PALKKI: So the motion is to  
16 approve the -- Cheiron with 500, Segal with 500, Milliman  
17 with 450, Gallagher with 300, and GRS with 100.

18 COMMITTEE MEMBER RUBALCAVA: How many for GRS.

19 COMMITTEE MEMBER WILLETTE: One hundred.

20 COMMITTEE MEMBER RUBALCAVA: One hundred. I'll  
21 second.

22 CHAIR COHEN: All right. So there's a motion on  
23 the floor and I heard a second. I'd like you to repeat  
24 that motion with your chest nice and loud, please, so we  
25 can hear it. I couldn't hear it. It was -- one more

1 time.

2 COMMITTEE MEMBER PALKKI: Okay. So the motion on  
3 floor is to award Cheiron with 500 points, Segal with 500  
4 points, Milliman with 450, Gallagher with 300, and GRS  
5 with 100.

6 CHAIR COHEN: Okay. There's a motion. And I  
7 think I heard a second. Is that you, Mr. Rubalcava. Go  
8 ahead.

9 COMMITTEE MEMBER RUBALCAVA: Can I speak to my  
10 second?

11 CHAIR COHEN: Yes, please, speak to your second.

12 COMMITTEE MEMBER RUBALCAVA: I second it because  
13 I support the points are evenly split between Segal and  
14 Cheiron.

15 CHAIR COHEN: Cheiron.

16 COMMITTEE MEMBER RUBALCAVA: Cheiron. Yes. So  
17 that was it.

18 CHAIR COHEN: Okay.

19 COMMITTEE MEMBER RUBALCAVA: I'll second the  
20 motion.

21 CHAIR COHEN: Okay. Second the motion.

22 Any other discussion?

23 So we have -- it sounds like we may have somewhat  
24 of a consensus up here.

25 Yes, okay. Mullissa Willette, are you ready for



1 me to call the question?

2 COMMITTEE MEMBER WILLETTE: (Nods head).

3 CHAIR COHEN: All right. Let's call the  
4 question. We have a motion that's been made and seconded  
5 on the floor.

6 BOARD CLERK ANDERSON: David Miller?

7 VICE CHAIR MILLER: Aye.

8 BOARD CLERK ANDERSON: Frank Ruffino for Fiona  
9 Ma?

10 ACTING COMMITTEE MEMBER RUFFINO: Aye.

11 BOARD CLERK ANDERSON: Jose Luis Pacheco?

12 COMMITTEE MEMBER PACHECO: Aye.

13 BOARD CLERK ANDERSON: Kevin Palkki?

14 COMMITTEE MEMBER PALKKI: Aye.

15 BOARD CLERK ANDERSON: Ramón Rubalcava?

16 COMMITTEE MEMBER RUBALCAVA: Aye.

17 BOARD CLERK ANDERSON: Mullissa Willette?

18 COMMITTEE MEMBER WILLETTE: Yes.

19 CHAIR COHEN: Did you call me?

20 BOARD CLERK ANDERSON: No. Technically, you're  
21 the tie vote.

22 CHAIR COHEN: Oh. Oh, okay.

23 (Laughter).

24 SENIOR ATTORNEY CARLIN: It's perfectly  
25 appropriate for you to vote, but as a tradition, the Chair

1 doesn't always vote.

2 CHAIR COHEN: That's okay. I don't have to vote.  
3 Okay. Gotcha.

4 Okay. So what is the result?

5 SENIOR ATTORNEY CARLIN: The motion passes.

6 CHAIR COHEN: All right. All right. I mean,  
7 they want to be stickler on these numbers. Let's be a  
8 stickler all the way through the process. Okay. So  
9 the -- so the motion passes unanimously, we might add.

10 All right. Thank you. Mr. Fein, I see you  
11 taking the dais. What's on your mind?

12 CHIEF COMPLIANCE OFFICER FEIN: Just ready for  
13 wrapping up whenever you are.

14 CHAIR COHEN: Okay. Got it. All right. All  
15 right. All right. You're just getting ready.

16 Okay. Colleagues, you guys read? Good job.

17 Again, I want to echo the member -- what the  
18 member said about the companies that took the time to fill  
19 out the RFP, interview, and make it this far in the  
20 process. Thank you very much.

21 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION

22 CHIEF HEEB: Madam Chair, we need to go back and add the  
23 scores --

24 CHAIR COHEN: Yes.

25 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION

1 CHIEF HEEB: -- and then come back to you with the final  
2 scores to read to you.

3 CHAIR COHEN: You have five minutes.

4 (Laughter).

5 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION

6 CHIEF HEEB: Thank you.

7 CHAIR COHEN: Yes. Okay. All right.

8 The -- colleagues, I just want to check in with  
9 you, do you guys need a 15-minute break and can we  
10 continue moving?

11 We can continue going. Okay. Great. Thank you.

12 So, staff will be -- will finish -- will tabulate  
13 the final scores.

14 SENIOR ATTORNEY CARLIN: Just one other point of  
15 clarification for the Committee. I think you all  
16 understand it, but just to be clear, and for the audience  
17 as well, you're making a recommendation that will go to  
18 the full Board at our normal June meeting. So this is not  
19 the final decision today. This is the recommendation that  
20 the full Board will then vote upon at our normal Wednesday  
21 meeting in about two weeks or so. So I just wanted to  
22 make sure that was clear as well, because you'll be making  
23 a motion when staff comes back to you with the total  
24 points to recommend who the winner should be.

25 CHAIR COHEN: Yes, sir, Mr. Jose Luis.

1 COMMITTEE MEMBER PACHECO: Thank you, Madam  
2 Chair. Just a point of order, Mr. Carlin, the -- will the  
3 vote happen during our Board of Administration or is it  
4 going to be during the Risk and Audit Committee?

5 SENIOR ATTORNEY CARLIN: Great question. It will  
6 be during the Board of Administration meeting, during the  
7 normal Committee reports. This will just be an extra  
8 report that's read along with the Risk and Audit Committee  
9 report that will be the day before the Wednesday meeting,  
10 so there will be two reports.

11 COMMITTEE MEMBER PACHECO: Is it -- is it going  
12 to be an action item or will it be a part of the  
13 informed -- part of the action consent?

14 SENIOR ATTORNEY CARLIN: It will be -- it will be  
15 part of the -- it will be an action item, but not separate  
16 from the normal report. So just like all the approvals  
17 that the Committee will make at the June RAC meeting, the  
18 normal meeting, this will be one additional item that will  
19 then be voted upon by the full Board.

20 COMMITTEE MEMBER PACHECO: And will the Chair be  
21 bringing it -- will she be reading it out?

22 SENIOR ATTORNEY CARLIN: Exactly right. She'll  
23 read it out just like a normal RAC report that we normally  
24 do or any of the other committee reports.

25 COMMITTEE MEMBER PACHECO: Very good then.

1 That's all I wanted clarification. Thank you.

2 CHAIR COHEN: All right. Are we ready staff?

3 All right. We're ready for the report out.

4 OPERATIONS SUPPORT SERVICES ASSISTANT DIVISION

5 CHIEF HEEB: Thank you, Madam Chair. I will now read the

6 interview scores for each finalist in alphabetical order.

7 Gallagher Benefits Services, Incorporated received 300

8 points for their interview, Cheiron received 500 points

9 for their interview score, Gabriel, Roeder, Smith and

10 Company received 100 points for their interview score, the

11 Segal Company received 500 points for their interview

12 score, Milliman received 450 points their interview score.

13 Combined with the preliminary total score,

14 Gallagher Benefit Services Company received a total of 811

15 points, Cheiron received a total score of 993.2 points,

16 Gabriel, Roeder, Smith and Company received a total of

17 581.49 points, the Segal Company received a total of

18 928.61 points, and Milliman received a score of 867.37

19 points.

20 Madam the Chair, the finalist with the highest

21 score is Cheiron.

22 CHAIR COHEN: All right. Thank you. Thank you

23 very much for the report. All right. Good job,

24 colleagues. At this time, I'm going to do what? Thank

25 you for the motion. I don't know. Mr. Fein, you're

1 just -- you need what?

2 SENIOR ATTORNEY CARLIN: You can -- so I think  
3 next step, Madam Chair, would be for you to make the  
4 motion or one of your colleagues --

5 CHAIR COHEN: Oh, make a motion to go to the full  
6 Board?

7 SENIOR ATTORNEY CARLIN: -- to recommend the  
8 finalists to the full Board.

9 CHAIR COHEN: Thank you very much.

10 COMMITTEE MEMBER PACHECO: I'll make the motion.

11 CHAIR COHEN: All right. I'll entertain a  
12 motion.

13 COMMITTEE MEMBER PACHECO: I'll make the motion.

14 CHAIR COHEN: And your motion is what, sir?

15 COMMITTEE MEMBER PACHECO: To move it to the full  
16 Board --

17 CHAIR COHEN: Hole on. I've got to get your mic  
18 on.

19 COMMITTEE MEMBER RUBALCAVA: Okay. I would -- my  
20 motion is to move the recommendation to the full Board.

21 CHAIR COHEN: Is there a second on that motion?

22 COMMITTEE MEMBER PALKKI: I'll second.

23 CHAIR COHEN: Seconded by Kevin Palkki.

24 SENIOR ATTORNEY CARLIN: Can I just add one  
25 thing? I'm sorry, some additional verbiage. I know, I'm

1 being a bit of a stickler this afternoon. I apologize.

2 COMMITTEE MEMBER RUBALCAVA: No, that's fine.

3 SENIOR ATTORNEY CARLIN: The direction we  
4 normally follow for the process is to -- the  
5 recommendation is to award the contract to the highest  
6 scoring firm. And assuming that contract negotiations go  
7 very well and everything goes smoothly, that's who would  
8 be the ultimate winner. But in the event that, for some  
9 reason, we come to an impasse, we're not able to negotiate  
10 a contract, it would be then -- staff would be authorized  
11 to move on to the next highest scoring firm?

12 CHAIR COHEN: Okay. All right. So I'll make the  
13 motion. I've got the language here. All right. So I  
14 move that the Committee recommend to the Board that the  
15 Board awards the contract to the highest -- to Cheiron,  
16 the highest ranking finalist, subject to final  
17 negotiations and satisfaction of all requirements, and  
18 direct staff to begin contract negotiation for the  
19 contract with Cheiron. If staff, in its discretion,  
20 concludes that negotiations are unsuccessful, the staff  
21 shall begin contract negotiations with Segal, the second  
22 highest -- or excuse me, the next highest scoring  
23 finalist.

24 Is there a second?

25 COMMITTEE MEMBER PACHECO: I'll second it.

1 CHAIR COHEN: All right. Thank you.

2 Is there any discussion on this motion?

3 CHAIR COHEN: All right. Let's call the vote.

4 BOARD CLERK ANDERSON: David Miller?

5 VICE CHAIR MILLER: Aye.

6 BOARD CLERK ANDERSON: Frank Ruffino?

7 ACTING COMMITTEE MEMBER RUFFINO: Aye.

8 BOARD CLERK ANDERSON: Jose Luis Pacheco?

9 COMMITTEE MEMBER PACHECO: Aye.

10 BOARD CLERK ANDERSON: Kevin Palkki?

11 COMMITTEE MEMBER PALKKI: Aye.

12 BOARD CLERK ANDERSON: Ramón Rubalcava?

13 COMMITTEE MEMBER RUBALCAVA: Aye.

14 BOARD CLERK ANDERSON: Mullissa Willette?

15 COMMITTEE MEMBER WILLETTE: Yes.

16 CHAIR COHEN: All right. Thank you. Motion  
17 passes.

18 I'd to remind all members of the Committee and  
19 the finalists of the restricted contact policy under the  
20 Government Code section 20153. This meeting of the Risk  
21 and Audit Committee is not quite adjourned yet.

22 We have one more piece of information to talk  
23 about. Item number 4, an information agenda item, which  
24 is a summary of the Committee direction, which is going to  
25 be presented by Mr. Kevin Fein.



1 CHIEF COMPLIANCE OFFICER FEIN: And, Madam Chair,  
2 I noted no direction from the Committee.

3 CHAIR COHEN: Thank you for that infinite wisdom.  
4 We're grateful for you. And we -- I don't know where we  
5 would be without you.

6 All right. Let's go ahead and see if there's any  
7 public comment?

8 All right. Seeing no public comment, it's 3:14.  
9 This meeting is adjourned.

10 (Thereupon the California Public Employees'  
11 Retirement System, Board of Administration,  
12 Risk & Audit Committee open session  
13 meeting adjourned at 3:14 p.m.)  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CERTIFICATE OF REPORTER

I, JAMES F. PETERS, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing California Public Employees' Retirement System, Board of Administration, Risk & Audit Committee open session meeting was reported in shorthand by me, James F. Peters, a Certified Shorthand Reporter of the State of California;

That the said proceedings was taken before me, in shorthand writing, and was thereafter transcribed, under my direction, by computer-assisted transcription.

I further certify that I am not of counsel or attorney for any of the parties to said meeting nor in any way interested in the outcome of said meeting.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of June, 2025.



JAMES F. PETERS, CSR  
Certified Shorthand Reporter  
License No. 10063